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April 2, 2021

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor
State of Arizona

Transmitted herewith is a report of the Arizona Auditor General, *State Board Member Per Diem Compensation and Expense Reimbursements*, for fiscal year 2020. This review was conducted pursuant to Arizona Revised Statutes §41-1279.03(A)(10).

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry, CPA, CFE
Auditor General

State Board Member Per Diem Compensation and Expense Reimbursements

As required by law, we conducted a review of per diem compensation and expense reimbursement payments to members of State boards, commissions, councils, and advisory committees (collectively referred to as boards) for fiscal year 2020. The boards we reviewed paid per diem compensation and reimbursed expenses in accordance with State law and State or board policies and procedures. Further, the recommendations from our prior report (Report 20-301) have been implemented.

State board members may receive per diem compensation and expense reimbursements, but amounts vary

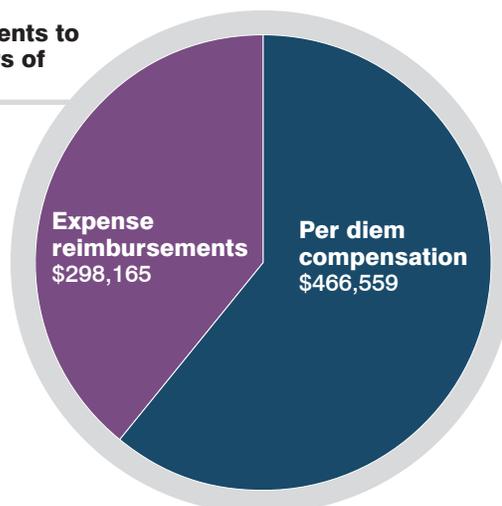
Arizona's boards are primarily authorized by statute or executive order. Board statutes or executive orders generally include a board's purpose and other general information, including whether board members are eligible for per diem compensation and/or expense reimbursements. Members of some boards may receive per diem compensation and/or be reimbursed expenses for each day engaged in service of the board, whereas members of other boards may not be permitted to receive any compensation.

Some boards' statutes prescribe that members are to receive compensation at a specific rate for each day engaged in the service of the board, ranging from \$30 to \$300 per day. Frequently, a board's statutes refer to the State's general statute—Arizona Revised Statutes (A.R.S.) §38-611(C)—which authorizes board members to receive compensation of \$30 for each day engaged in the board's service.

Most board members who are statutorily eligible for expense reimbursements while performing board activities are reimbursed in accordance with State laws and policies for expense reimbursements.¹ Expense reimbursements may include board members' costs for mileage, meals, lodging, airfare, cell phones, and other miscellaneous costs.

Payments to board members Fiscal year 2020

 **\$764,724 of payments to 770 members of 120 boards**



Per diem compensation

Compensation paid to board members for attendance at board meetings and/or for time engaged in the service of the board.

Expense reimbursements

Reimbursement of expenses incurred by board members while attending board meetings or performing board work, including mileage, meals, lodging, airfare, cell phones, etc.

Source: Auditor General staff analysis of the State's payroll system; A.R.S. §38-611; A.R.S. Title 38, Ch. 4, Art. 2; State policy; and the specific statutes relating to the compensation for each board. Reported amounts do not include boards that did not pay members in fiscal year 2020, members that elected to not receive compensation, or board members who received salaries. The 145 local foster care review boards are reported as 1 board.

¹ State laws governing expense reimbursement are included at A.R.S. Title 38, Ch. 4, Art. 2. State policies for expense reimbursement are included in the State of Arizona Accounting Manual, published by the Arizona Department of Administration's General Accounting Office.

Board member payments we reviewed complied with State laws and State or board policies

Our compilation and analysis of a risk-based, judgmental sample of fiscal year 2020 board member payments found that they complied with State laws and applicable State or board policies.

Followup

We also followed up on the 2 recommendations below from our previous report (Report 20-301), issued April 2020, and determined they were implemented (see implementation note following recommendation 1b for additional information).

1. The Public Safety Personnel Retirement System (PSPRS) should:
 - a. Ensure that its Board of Trustees adheres to State laws and State and PSPRS policies and considers the best interests of its constituents to ensure per diem compensation and expense reimbursement payments to board members are appropriate and adequately supported.
 - b. Work with its legal counsel to pursue reimbursement from its board members for any inappropriate payments, as it determines necessary.
Implementation note—PSPRS worked with its legal counsel and chose not to pursue reimbursement for any inappropriate payments because the payments were in accordance with existing policies or approved by management at the time. Those policies have been corrected.
 - c. Ensure that all payments to its Board of Trustees and Defined Contribution and Disability Committee members are processed on the State's payroll system to ensure compliance with tax withholding requirements.
2. Arizona's State boards, including the Board of Massage Therapy, PSPRS Board of Trustees, and Water Quality Appeals Board, that have not yet done so should develop and implement written policies and procedures for paying board member per diem compensation that comply with each board's statutory requirements and define the specific board-related activities eligible for compensation, the amount of time spent on board-related activities that will be compensated, and the process for paying compensation to board members.

Auditor General website report link

This and the previous State Board Member Per Diem Compensation and Expense Reimbursements reports are available at this [link](#).