

State Board Member Per Diem Compensation and Expense Reimbursements

CONCLUSION: As required by law, we conducted an annual 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 2019. In this review, we followed up on the recommendations from our prior reports, Reports 17-306 and 19-302, *State Board Member Per Diem Compensation and Expense Reimbursements* for fiscal years 2016 through 2018, which we issued in November 2017 and March 2019; presented a table of State boards with fiscal year 2019 payment information and prior and current review results; and examined fiscal year 2019 payments of per diem compensation and expense reimbursements for some boards' members. We found that the Public Safety Personnel Retirement System (PSPRS) did not pay its board members in accordance with State laws and State or PSPRS policies, which put public monies at risk of misuse. Further, we found that some boards lack written policies and procedures for paying per diem compensation, putting these boards at risk for making inaccurate, inappropriate per diem payments.

PSPRS did not pay its board members in accordance with State laws and State or PSPRS policies, which put public monies at risk of misuse

During our fiscal year 2019 annual review, we found that the PSPRS Board of Trustees did not always pay its board members in a manner consistent with State laws and State or PSPRS policies. Specifically, PSPRS reimbursed one member \$1,598 more than another member for the same conference hotel. The additional reimbursement was for an additional night and an upgraded city view room. PSPRS also inappropriately reimbursed members \$556 for mileage because it used the incorrect rate and \$357 for meal expenses that were not in accordance with its policy.

In addition, PSPRS paid all per diem compensation and expense reimbursement payments to its Board of Trustees and Defined Contribution and Disability Committee members outside of the State's payroll system, placing the State at risk for noncompliance with applicable tax withholding requirements.

Recommendation

PSPRS should:

- 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.
- Work with its legal counsel to pursue reimbursement from its board members for any inappropriate payments, as it determines necessary.
- 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.

Some boards still lack written policies and procedures for paying per diem compensation, putting these boards at risk for making inaccurate, inappropriate per diem payments

In our current and previous reviews, we examined 50 boards that pay per diem compensation and should have written policies and procedures governing those payments. Specifically, these policies and procedures should comply with each board's statutory requirements and define specific recommended elements. As of December 1, 2019, 3 of the 50 boards we have examined did not implement our recommendations to have written policies and procedures containing the recommended elements, putting these boards at risk for making inaccurate, inappropriate per diem payments that do not comply with State law and board rules.

Recommendation

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.

47 boards implemented policies and procedures



3 boards still had not implemented policies and procedures