

February 10, 1993
ILR 93-E

Representative Grant D Protzman
Utah House of Representatives
State Capitol Bldg
Salt Lake City UT 84114

Subject: Fringe Benefits Given to Ogden School District's Superintendent

Dear Representative Protzman:

This report is in response to your request for a review of the Ogden School District's travel policies and the superintendent's travel allowance, automobile reimbursement, and annuity payments. In our opinion, the amounts paid to the superintendent for vehicle allowances and travel reimbursements are consistent with the school board's policies, including its contract with the superintendent. We not only reviewed vehicle allowances and travel reimbursements, but because they also comprise similar reimbursement, we examined the superintendent's annuities, credit card purchases (business expenses), and all outside activities, all of which conform with the board's policies. However, in our opinion, some of the existing policies are more liberal than those of comparable-sized districts.

For the purposes of this report, we compared Ogden School District's policies for vehicle allowance, annuity allowances, and meal reimbursement (when traveling) with other school districts of similar size in Utah and the Rocky Mountain Region. In our opinion, the Ogden District offers its Superintendent a position that would justify a search of competent applicants in a wide market area. For this reason we have compared the superintendent's benefits with superintendents within the rocky mountain states. In performing the survey, we reviewed all of the superintendent's travel and other reimbursements during the period of July 1, 1991 to December 31, 1992, a sample of credit card purchases during the last year of that period, and current annuity payments. We also sampled some travel reimbursements for two other Ogden District administrators.

Board's Automobile Allowance Is Liberal

The Ogden School Board's automobile allowance for its superintendent is liberal. Provision of an automobile for chief executive officers is common in both private and public organizations. Although all districts contacted provide either a district car or an allowance for their superintendents, the Ogden District's allowance is significantly larger than that of any similar-sized Utah district or the average of the rocky mountain districts of comparable size. The following table shows these comparisons.

Figure I			
Automobile Allowance (Comparable-sized Districts)			
District Name	Allowance	Superintendent's Car (Monthly) Plus Mileage	Allowance Plus Expenditures
A	\$350	Excess over 750 business miles	\$366
B	300	All business miles	437
C	350	Outside County	429
D	None	District car, for business only	N/A
E	None	All business use in private car	N/A
Rocky Mountain Region	406*	Included	406
OGDEN	661	Trips over 100 mile radius	722
<i>N/A Not Applicable</i>			
<i>* Average of Rocky Mountain Region districts providing an automobile allowance.</i>			

In Figure I, Ogden District's monthly automobile allowance is by far the highest of any district or group of districts. Although it is difficult to compare the mileage allowances, Ogden District's total vehicle reimbursement clearly is greater than that of Rocky Mountain Region districts. The allowance is one-half again as much as the regional average, and the district also allows mileage reimbursement for trips beyond a 100 mile radius, which is

included in the regional amount. Since the allowance is treated as income, the district is paying additional money into the superintendent's retirement fund as well.

Prompting this audit were allegations, some of which concerned the superintendent's automobile allowances. In response to these allegations, we respond with the following:

Nine years ago, during the preceding superintendent's administration, the board changed from providing a district automobile for the superintendent to providing an automobile allowance. During the present superintendent's administration, the Internal Revenue Service (IRS) made significant changes regarding automobile allowances and reimbursements. These changes caused the administration and board to experiment with different methods of reimbursing the superintendent. The final solution was to treat all reimbursements for the past three years as taxable payroll expenditures, and the district has submitted corrected W-2 forms to the IRS.

Because the superintendent's automobile allowance is treated as a taxable item, as part of his remuneration, and because he receives a set amount (except for business trips of more than 100 miles radius), the personal miles driven do not affect the amount of reimbursement. Personal miles are, in fact, his own miles to do with as he pleases. Since he did not claim district mileage reimbursement for trips to Logan to teach a class, we conclude any mileage reimbursement he received from the university is not double charging.

Board's Annuity Allowance is Somewhat High

The board's annuity allowance for its superintendent is higher than those paid by comparable-sized Utah districts. But, its annuity allowance is in line with those granted by the one-third of Rocky Mountain Districts that offer annuities in addition to general retirement programs.. Figure II compares superintendent annuities of comparable-sized districts.

Figure II	
Comparison of Superintendent Annuities (Comparable-sized Districts)	
District Name	Superintendent Annuities per Year
A	\$500
B	3,000
C	3,600
D	None
E	None
Rocky Mountain Region	\$7,238 *
OGDEN	\$7,116**
<i>* Average for the 33 percent of districts offering an annuity</i>	
<i>** \$3,336 for all administrators plus the superintendent's \$3,780</i>	

As shown in Figure II, Ogden District pays nearly twice as much annuity allowance as the highest of the other Utah districts, but slightly less than the average of the Rocky Mountain Districts. However, only about one-third of the region's districts pay any annuity. Considering that the additional annuity allowance will increase the balances in both his annuity and state retirement accounts (the additional annuity increases his salary base), the higher annuity allowance may be high.

Meal Reimbursement Is Liberal But Lodging Reimbursement is Reasonable

The district administration is interpreting the board's meal reimbursement policy liberally. The board's travel policy allows per diem reimbursement based on the IRS standard rate for the destination city, both for meals and for lodging. However, the policy on meals is not specific and the district administration has interpreted it as meaning that a full days meal allowance should be paid, regardless of what time of day the traveler departs or returns. The Utah comparison districts adjust the meal allowance to recognize how many meals are required, depending on the time of departure and of return. The liberal meal allowance policy would always favor the traveler at the expense of district funds.

In comparison, the board's lodging reimbursement policy appears reasonable and our limited tests show it saves money for the district. The policy is reasonable because it is a per diem allowance for lodging that is based on the IRS standard rate. To test the policy we compared the amount reimbursed for lodging by the Ogden District with amounts reimbursed by two other districts, for the same or similar trips. The test showed that for nine trips, made during the 18-month period, the Ogden District's reimbursement was significantly lower in seven trips and the same in two others. In our opinion, the lodging reimbursement policy is reasonable and may reduce Ogden School District costs.

We find no merit to the allegation questioning the appropriateness of the superintendent

staying in his time-shared apartment in St. George, Utah while on business and claiming district reimbursement. The district policy allows the traveler a fixed amount of money for lodging, depending on the destination city, and the traveler is free to select the lodging he/she desires. Since our review indicates that the district's cost for the superintendent to stay in St. George was equal to or less than what other districts paid for their superintendents' lodging for similar trips, we believe the allegation is without effect.

Contract Clause Covering Outside Activities Needs to be More Specific

The superintendent teaches a class for Utah State University (USU). When he was hired he specifically asked the two board members who made the offer for permission to continue to teach the class. Although there is no record of this request in the board minutes, the chairman of the board at that time recalls the board giving him verbal approval. Consequently, the superintendent has taken vacation leave to travel to Logan and teach a class on a number of occasions. However, the contract does not clearly specify that the superintendent can teach a USU class.

We had an attorney from Legislative General Counsel review the contract language allowing outside activities. He felt the language was broad. Although the contract allows university lectures it does not clearly specify teaching a class as an adjunct professor. Also, the contract language does not clearly indicate the superintendent has to take leave to teach. The language in the current contract is the same as in the previous superintendent's contract and was not changed to accommodate the request to teach at USU.

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We believe the board needs to clarify the language in the contract with the superintendent regarding his teaching a class at USU. Also, the board should review all benefits and travel policies and ensure they are consistent with districts of similar size as the Ogden District's.

We hope this letter has provided the information you need on this issue. If you have any questions or need additional information, please contact us.

Sincerely,

Wayne L Welsh
Auditor General

WLW:BRP/lm