

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL REPORT
OF
SCHOOL CITY OF HAMMOND
LAKE COUNTY, INDIANA
July 1, 2009 to March 15, 2012



FILED
08/09/2012

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SCHOOL OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|--|--|
| Treasurer/Chief Administrator of Business Services | Karen Wallisch (deceased) Cynthia Adams | 07-01-09 to 08-24-10 01-25-11 to 06-26-11 |
| Chief Administrator of Business Services | Theophilus Boone, Jr. | 11-28-11 to 06-30-12 |
| Treasurer/Director of Business Services | Cynthia Adams Terese T. Alexander | 08-26-10 to 01-24-11 06-27-11 to 05-11-12 |
| Superintendent of Schools | Dr. Walter J. Watkins | 07-01-09 to 06-30-12 |
| President of the School Board | Albertine Dent Anna Mamala Deborah White | 07-01-09 to 06-30-10 07-01-10 to 06-30-11 07-01-11 to 06-30-12 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCHOOL CITY OF HAMMOND

We have audited the records of the School City of Hammond related to the payment of a Union Representative for the period from July 1, 2009 to June 30, 2012, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment.

STATE BOARD OF ACCOUNTS

April 12, 2012

SCHOOL CITY OF HAMMOND
AUDIT RESULT AND COMMENT

COMPENSATION OF FULL-TIME UNION REPRESENTATIVE

A former School City of Hammond teacher, Patrick O'Rourke, was paid by the School Corporation to serve in a full-time capacity as the President of the Hammond's Teacher Federation. His compensation of \$73,412 per school year was based upon a Regular Teacher's Contract. Per the Regular Teacher's Contract, "Witnesseth: That in consideration of the agreements hereinafter contained, said teacher agrees to teach in the Public Schools of said School Corporation for the school year beginning . . . Said employer further agrees to pay the said teacher for his or her services under this contract as Teacher. . ."

Patrick O'Rourke was no longer a teacher for the School Corporation. The payment was based upon the following:

Under Article 5 of the Master Contract between the Hammond Teacher's Federation and the School City of Hammond, which was approved on November 6, 2008 and December 11, 2008, "(Effective January 1, 2006) The President of the Federation will receive an amount of pay equal to his daily rate of pay (determined by his placement on the teacher salary schedule) multiplied by 230 in order to be available to meet with the Employer to discuss and deal with matters of mutual concern which may arise, as well as to review the administration of the Contract."

Patrick O'Rourke did not maintain an office at the Administration Building, nor at any other School Corporation owned facility. A timesheet was filed on his behalf as prepared by employees of the human resources department of the School Corporation.

Patrick O'Rourke notified the Human Resources Department of his time off by type of leave. They prepared the timesheet based upon the time off he reported. Timesheets were electronically signed with his signature by the Human Resources Department, and provided to the Superintendent of Schools for a supervisory signature.

A Memo from John P. Friel, Labor Relations Attorney to the School Board, on October 9, 1994, regarding Section 5.5 of the Master Contract between HTF and the School Corporation stated:

"The current language of Section 5.5 reads as follows:

5.5 The President of the Federation will have a reduced teaching assignment in order to be available to discuss and deal with matters of mutual concern which may arise, as well as to review the administration of the Contract.

Pursuant to this language the president of the Federation was originally released from teaching duties for half a day during the regular school year. Through the years the amount of released time was increased until eventually he was released full-time during the regular school year. During the summer months he has always continued to perform the same functions, but his compensation came from the Federation rather than the School City. I believe the contract language should recognize that the president of the Federation is not working for us at an hourly rate or daily rate. He is being compensated to provide certain services and to perform certain functions for us. He does this throughout the calendar year. But not all of his time is spent on School City of Hammond business. He continues to be compensated by the Hammond Teachers' Federation for serving its interests. He also serves in other capacities both with and without compensation.

What is a fair amount of compensation? There is no doubt the president of the Federation, on average, spends more than four out of five days for the forty-eight weeks (less ten holidays) scheduled for 230-day employees attending to School City of Hammond business. The Federation is willing to settle for this amount."

SCHOOL CITY OF HAMMOND
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 20-28-9-11 titled, "Teacher absence from work with pay; agreement between school employer and exclusive representative" states: "Absences that are not described in sections 9 through 10 of this chapter may be taken with pay when agreed on by the school employer and the exclusive representative under IC 20-29."

Based upon the records maintained by the School Corporation it was not clear as to the duties this individual performed for the School Corporation, and which duties were performed for the Federation. The contract indicated this individual is a teacher; however, he was not performing teaching duties. Time sheets and contracts did not indicate the services provided for the School Corporation vs. those performed for the Federation.

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. (Accounting and Uniform Compliance Guidelines Manual for School Corporations, Chapter 9)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for School Corporations, Chapter 9)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for School Corporations, Chapter 9)

Indiana Code 35-44.1-1-3(c) states: "A person employed by a governmental entity who, knowing that the person has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony."

Indiana Code 35-44.1-1-3(e) states:

"Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides."

SCHOOL CITY OF HAMMOND
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 30, 2012, with Dr. Walter J. Watkins, Superintendent of Schools, and Deborah White, President of the School Board.