

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORLEANS COMMUNITY SCHOOLS

ORANGE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED

12/22/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Allana Smelser Theresa Robbins	07-01-12 to 05-05-13 05-06-13 to 12-31-15
Superintendent of Schools	James L. Terrell Gary McClintic	07-01-12 to 12-31-12 01-01-13 to 06-30-15
President of the School Board	Barry Bishop Larry Johnson David Henderson Jon Stalker	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Orleans Community Schools (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 1, 2015

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The School Corporation has not separated incompatible activities related to cash and investments, receipts, and payroll transactions. Bank reconciliations, receipt recording and depositing functions, and all payroll functions (including writing and signing checks) were prepared by one person with no oversight or review. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation Treasurer prepared and submitted the SEFA through the Gateway system; however, there was no additional oversight of the SEFA information. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: (a) carryover funds received from the prior year project used to reimburse current Title I expenditures totaling \$32,515 were not included on the SEFA, and (b) numerous immaterial expenditures were incorrectly reported on the prior SEFA and also reported on the current SEFA totaling \$7,341. The net effect of the errors noted caused SEFA expenditures to be understated by \$25,174 as presented for audit. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-003 - CASH MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years: FY 2012-13, FY 2013-14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement.

The School Corporation is required to limit its food service program cash resources to three months' average expenditures. The ending cash balance in the School Lunch fund was greater than three months' average expenditures in all 24 months during the audit period. The cash balance exceeded the allowed balance of three months' average expenditures by an average of approximately \$56,180 per month. The three months' average expenditures were \$99,681 and \$91,617 for 2012-2013 and 2013-2014, respectively.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

7 CFR 210.14(a) states in part: "School food authorities shall maintain a nonprofit school food service."

7 CFR 210.9(b) states in part:

"Each school food authority approved to participate in the program shall . . . (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with section 210.19(a)."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management requirements of the programs.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - REPORTING

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Reporting compliance requirement.

The Annual Financial Reports, monthly claims for reimbursement, and the verification reports are filed on-line. Each report is completed and filed by one person with no review or oversight.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable noncompliance to go undetected. Noncompliance with the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the compliance requirement listed above.

FINDING 2014-005 - ALLOWABLE COSTS

Federal Agency: U.S. Department of Agriculture
Federal Program: National School Lunch Program, School Breakfast Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs compliance requirement.

The School Corporation did not have a system in place to ensure compliance with the Circular A-87 regulations for time and effort reporting. The School Corporation did not complete the required semiannual certification activity reports for school lunch program personnel for either of the fiscal years.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular A-87, Attachment B, Section 8(h), Compensation for personal services, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award,
 - (b) A Federal award and a non Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs requirements of the programs.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

***FINDING 2014-006 - SPECIAL TEST AND PROVISION -
PARTICIPATION OF PRIVATE SCHOOL CHILDREN***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-6145, 13-6145, 14-6145

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over compliance with Special Tests and Provisions - Participation of Private School Children. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance.

The School Corporation did not conduct consultations with private school officials to determine the kind of educational services to provide to eligible private school children regarding Title I Local Educational Grants requirements.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

20 USC 7881(c)(1) states:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies or entity shall consult with appropriate private school officials during the design and development of the programs under this chapter, on issues such as-

(A) how the children's needs will be identified;

(B) what services will be offered;

(C) how, where, and by whom the services will be provided;

(D) how the services will be assessed and how the results of the assessment will be used to improve those services; and

(E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel and the amount of funds available for those services; and

(F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of contract services through potential third-party providers."

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls has enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls to ensure all grant requirements are complied with and to conduct consultations with private school officials to ensure private school children receive equal opportunity for services provided.

FINDING 2014-007 - REPORTING

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-6145, 13-6145, 14-6145

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Reporting requirement.

The final expenditure reports and monthly requests for reimbursements are filed on-line by the School Corporation Treasurer with no review or oversight.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities or the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the compliance requirement listed above.

ORLEANS COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy Trea.
Louise Mason, Secretary



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CORRECTIVE ACTION PLAN

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- The treasurer developed controls during 2014 in regards to bank reconcilements. Bank reconciliation is now performed by the deputy treasurer. The reconciliation is then reviewed by the superintendent and treasurer.
- For receipt recording and depositing, these duties are to be split between the treasurer and the secretary. The treasurer will continue to record receipts while the secretary is to deliver deposits to the bank.
- With the addition of a deputy treasurer during 2013, payroll functions now have more oversight and review. Checks are now written by the deputy treasurer and signed by the treasurer. The treasurer also reviews the allowance of claims in detail each pay period.

Anticipated Completion Date: **Mostly completed, with the exception of the receipt duties where the secretary needs to be bonded (once bonded, she will begin her new duty)**

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- Both the superintendent and the elementary principal (who is the Title I director in addition to overseeing the cafeteria fund) will meet with the treasurer at the end of August. At this meeting, the treasurer will review the completed Schedule of Federal Awards (SEFA) with them for accuracy.

Anticipated Completion Date: **August 2015**

ORLEANS COMMUNITY SCHOOLS

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FINDING 2014-003 - CASH MANAGEMENT

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- The treasurer will develop an excel spreadsheet to maintain a running three-month average. The treasurer will also communicate these numbers on a quarterly basis to both the superintendent and elementary principal. They will review these amounts and the needs of the cafeteria to determine where the excess balance should be appropriated. In addition, the treasurer and superintendent are planning to submit an application to receive FY 2016 Indirect Cost Rates, which once received should allow for a portion of money to be transferred from the cafeteria fund to the general fund.

Anticipated Completion Date: Ongoing – the spreadsheet is to be developed by October 13th (the next board meeting) and then review of the numbers will be ongoing

FINDING 2014-004 - REPORTING

Contact Person Responsible for Corrective Action: **Christopher Stevens, Elementary Principal**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- The elementary ECA treasurer is reviewing reports and claims which are completed by cafeteria employees. Once she has reviewed for accuracy, she signs and dates.

Anticipated Completion Date: August 2015

ORLEANS COMMUNITY SCHOOLS

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FINDING 2014-005 - ALLOWABLE COSTS

Contact Person Responsible for Corrective Action: **Christopher Stevens, Elementary Principal**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- The elementary principal will ensure that the required semiannual certification activity reports for school lunch program personnel are completed on an annual basis.

Anticipated Completion Date: **August 2015**

FINDING 2014-006 - SPECIAL TEST AND PROVISION – PARTICIPATION OF PRIVATE SCHOOL CHILDREN

Contact Person Responsible for Corrective Action: **Christopher Stevens, Elementary Principal**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- The elementary principal will send certified letters to the private school officials in our district inviting them to attend a meeting on a specified date. This meeting will include a presentation on the Title I program and the services available to the private school students.

Anticipated Completion Date: **September 2015**

**ORLEANS COMMUNITY SCHOOLS
OFFICE OF THE SUPERINTENDENT**

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy Trea.
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FINDING 2014-007 - REPORTING

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**
Contact Phone Number: **812-865-2688**

Description of Corrective Action:

- The superintendent will review and sign all reports that are submitted to Title I for both reimbursement and final reports, in order to review for errors or misrepresentations.

Anticipated Completion Date: September 2015



Signature

Superintendent

Title

10-1-15

Date

ORLEANS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

POSTING CONTRACTS ON SCHOOL WEBSITE

As of July 20, 2015, the School Corporation's Master Contracts for 2013-2014 or 2014-2015 have not been posted on the School Corporation's website.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement for 2013-2014 contained the following prohibited subjects:

1. The school calendar
2. Unpaid leave
3. Management rights
4. Travel reimbursement
5. Boilerplate contract terms not authorized by statutes, such as supremacy

During the audit period, Indiana Code 20-29-6-4 stated:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

ORLEANS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

During the audit period, Indiana Code 20-29-6-4.5 stated:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

BOARD MEMBERS PAID FOR CORPORATION DUTIES

During the audit period, multiple Board members were paid for other positions in the School Corporation including bus driver and coaching.

Indiana Code 20-26-4-11 states:

"In addition to any other eligibility requirements for members of the governing body of a school corporation as set forth in law, an individual who is employed as a teacher or as a noncertified employee (as defined in IC 20-29-2-11) of the school corporation may not be a member of the governing body of the school corporation."

LAW OFFICES
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JAMES L. TUCKER (1874-1960)
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October 2, 2015

To: Indiana State Board of Accounts

OFFICIAL RESPONSE

To Whom It May Concern:

By way of this letter, the Orleans Community School Corporation is responding to the July 1, 2012 to June 30, 2014 examination of the Indiana State Board of Accounts.

Specifically, the response is being made to the part of the report entitled *Board Members Paid For Corporation Duties*.

The issue is Indiana Code 20-26-4-11 which states:

“In addition to any other eligibility requirements for members of the governing body of a school corporation as set forth in law, an individual who is employed as a teacher or as a non-certified employee (as defined in IC 20-29-2-11) of the school corporation may not be a member of the governing board of the school corporation.”

The issue is whether the School Board members are “employed” by the school corporation.

The contract of each of the board members involved, Chad Hager and Tim Whitfield, are attached. The form used was approved by the State Board of Accounts in 2007.

Indiana Code 20-27-8 clearly differentiates between school bus drivers operating under a transportation or fleet contract and school bus drivers who have employment contracts.

IC 20-27-8-7 reads:

“When a school bus driver operates under a transportation or fleet contract, the compensation for the school bus driver or fleet contractor is determined and fixed by the contract on a per diem basis for the number of days which:

- (1) the calendar of the school corporation provides that students are to attend school;
- (2) the driver is required by the school corporation to operate the bus on school related activities; and
- (3) inservice training is required by statute or authorized by the school corporation, including the safety meeting workshops required under section 9 of this chapter.

IC 20-27-8-8 reads:

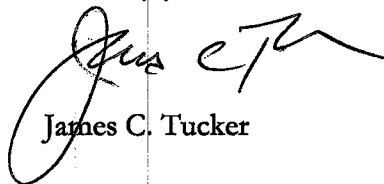
“The compensation of a school bus driver who is employed by a school corporation on a school year basis under an employment contract shall be fixed in the employment contract.”

Each of the School Board members have contracts with Orleans Community School Corporation and are not bus driving employees of the School Corporation.

The rules on conflict of interest concerning a contractor of the School Corporation are contained in IC 35-44.1-1-4.

The School Board member who has in this instance made a disclosure that conforms to IC 35-44.1-1-4(6) and does not participate in the vote concerning the contract has complied with the Indiana law. Each of the School Board members was elected and has made the appropriate disclosure under Subsection (d) of the statute.

Sincerely yours,



James C. Tucker

dc

Enclosure

BUS OWNERSHIP; conditions: It is also mutually agreed to between the parties hereto:

1. That said School Corporation is to furnish and provide

Nothing

2. That the Driver is to furnish

SEE SPECIFICATIONS

Said work is to be governed by the following conditions:

1. The Driver is to drive the bus along the designated route each day during the school term or terms above enumerated, unless the school be dismissed for a holiday or by order of the School Corporation. That the Driver shall operate the bus over the route upon the schedule fixed by the School Corporation.
2. The Driver to have control of all school children so conveyed between the homes of the children and the school(s). The Driver shall keep order and maintain discipline in the bus, being firm but polite, impartial and fair, and see that no child is imposed upon or mistreated while in their charge, and shall use every care for the safety of the children under their charge.
3. The Driver is to perform personally all of the said work set out in this agreement, and shall not sell or assign this contract to any other person nor substitute any other person as driver, except with the approval of the School Corporation.
4. That the School Corporation may at any time alter and/or extend the route herein covered. In the event that the route as changed, altered or extended is longer than the route as described in this contract, the Driver shall be paid as additional compensation for each mile or fraction thereof in excess of the mileage of the originally contracted route, a sum equal to the average rate per mile as provided in this contract.
5. The Driver shall give a surety bond in such sum as fixed by the School Corporation, such bond to be conditioned upon the faithful performance of the full term of the contract. The Driver shall carry public liability and property damage insurance in a company authorized to do business in the State of Indiana in such amount as the School Corporation may deem necessary to afford adequate protection in the operation of the bus involved. Copies of all insurance policies shall be furnished to the School Corporation by the Driver.
6. The provisions of all Indiana statutes, rules and regulations of the State School Bus Committee, as same may be amended, pertaining to safety in the operation of school buses and the transportation of school children, are made a part of this contract by reference and Driver agrees to abide thereto.
7. The Driver hereby agrees that said school bus will be used to transport school children to and from school under the terms of this contract, and only for such additional permitted uses which are in accord with the provisions of IC 20-27-9 et seq., as same may be amended.
8. It is agreed that the provisions of IC 20-27-1 et seq. and IC 9-21-1 et seq., and as same may be amended, are hereby made a part of this contract, and that it is the intention of the parties thereto to enter into a binding contract subject to the School Transportation Code (IC 20-27-1 et seq.), and the Motor Vehicles Traffic Regulation Code, IC 9-21-1 et seq., the provisions of which shall prevail over any part of this contract determined to be in conflict therewith.

2 of 4 Driver Owned Contract

9. This contract incorporates by reference all present policies of the School Corporation with respect to the transportation of students and passengers and are hereby made a part of this contract.
10. This contract incorporates by reference applicable United States Department of Transportation regulations as same are amended and are hereby made a part of this contract.
11. The School Corporation shall pay the Driver the sum of One hundred fifty four and 00/100 Dollars (\$ 154.00) per day for the number of days (a) on which the calendar of the school corporation provides that students are to be in attendance at school, (b) the driver is required by the School Corporation to operate the bus on school related activities, and (c) days of inservice training which is either requested by statute or authorized by the School Corporation including, but not limited to, the safety meeting workshops.
12. Failure of Driver to comply with the terms of this contract, including all terms and conditions incorporated by reference, shall be deemed cause for cancellation of contract at the option of School Corporation Governing Body, or its authorized agent. In the event of such breach by Driver, School Corporation's authorized agent shall first recommend cancellation of the contract to School Corporation's Governing Body, which may act upon such recommendation without notification or opportunity for Driver to be heard, but such cancellation shall not be effective until the Governing Body takes action on such recommendation. Notwithstanding the above, School Corporation, acting by its authorized agent, may suspend the Driver immediately, for any conduct or omission that may constitute good and sufficient cause for cancellation of the contract, pending actual cancellation of the contract.

IN WITNESS WHEREOF, the parties have hereunto signed their names this 21 day of April, 20 15.

Chad Hays
Driver

School Corporation

By: Laura Stueck
Janet H. Hays
Randy Besty
James Salkeld

Members of the Governing Body of the School Corporation

NOTE: *Strike out either (A) or (B).

3 of 4 Driver Owned Contract

BOND

KNOW ALL PERSONS BY THESE PRESENTS, That we

as principal, and

as sureties, all of

_____ County, in the State of Indiana, are firmly bound unto the School Corporation, in the penal sum of _____ Dollars (\$ _____) for the payment of which well and truly to be made, we bind ourselves jointly and severally, and our joint and several heirs, executors, administrators, and assigns, firmly by these presents, this _____ day of _____, 20_____.

The conditions of the above obligation are such that, where as the

_____ School Corporation, of _____ County, in the State of Indiana,

has let and contracted with said _____

to drive the conveyance on a school route in the said School Corporation above named, during the school term or terms of

_____ and _____ known as

"Route No. _____" (as per the contract, route and specifications attached hereto).

NOW THEREFORE, if the said,

_____ shall well and faithfully do and

perform their contract in accordance with the terms thereof, then this bond shall be null and void; otherwise, we bind ourselves to pay all expenses incurred in carrying out the full agreement, as entered into by and between the said,

and

_____ School Corporation.

WITNESS our hand and seals this _____ day of _____, 20_____.

(SEAL)

(SEAL)

(SEAL)

C. . . .acts

It is recommended that the Board approve the negotiated bus route contract for 2015-2019 as presented.

2

November 18, 2014
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<u>Route Number</u>	<u>Driver</u>	<u>Daily Rate</u>
1	Walter Wininger	\$187.00
2	Larry Gilstrap	\$186.00
3	Kelly Hawk	\$191.00
4	Brian Harris	\$175.00
5	Keith Hager	\$193.00
6	Tim Whitfield	\$191.00
7	Ronetta Whitfield	\$138.00
8	Chad Hager	\$154.00
9	Teresa Bowling	\$169.00
10	Melissa Harris	\$127.00

Motion by Larry Johnson
Seconded by Frank Kaiser
Vote 6-0-1 (Tim Whitfield abstained)

DRIVER OWNED EQUIPMENT CONTRACT FOR TRANSPORTING CHILDREN

Term 2015-2019 School Corporation No. 6145 School Corporation Orleans Community Schools

This Contract entered into on the 18 day of November, 2014, between Orleans Community Schools

School Corporation, Orange County, Indiana, hereinafter referred to as the School Corporation, and

Tim Whitfield #2057 Driver.

WITNESSETH:

WHEREAS the Governing Body of said School Corporation has given proper notice by publication in accordance with IC 20-27-5-10, and the Driver pursuant to said notice has (A) submitted a proposal, or (B) submitted a bid, the terms of which reflect said Driver to be the lowest responsible bidder in an amount satisfactory to the Governing Body and that the Driver can meet the requirements prescribed in IC 20-27-5-13 and the physical requirements set out in IC 20-27-8 et seq.

Now therefore in consideration of the foregoing and in consideration of the payment by the School Corporation to the Driver of the sum stated below, the Driver agrees to perform the following work as provided by the specifications on file in the office of the School Corporation and as hereinafter provided, viz:

To drive the school bus of Route No. 6 in School Corporation No. 6145 for the School Term or Terms of in the School Corporation above named and to the extent of the available seats on the school bus transport all the children of school ages now residing along and adjacent to said route or who may be along and adjacent to said route during the life of this contract and in accordance to said specifications to and from the designated school(s) in said school corporation, during the school term or terms above enumerated.

The route known as No. 6 is described as follows:

SEE SPECIFICATIONS.

Daily rate \$191.00 X 183 days driven = \$34,953.00. Drivers will be paid biweekly making it 26 pays.

and as more particularly described by a copy of the specifications attached hereto and made a part hereof by reference.

BUS OWNERSHIP; conditions: It is also mutually agreed to between the parties hereto:

1. That said School Corporation is to furnish and provide

Nothing

2. That the Driver is to furnish

SEE SPECIFICATIONS

Said work is to be governed by the following conditions:

1. The Driver is to drive the bus along the designated route each day during the school term or terms above enumerated, unless the school be dismissed for a holiday or by order of the School Corporation. That the Driver shall operate the bus over the route upon the schedule fixed by the School Corporation.
2. The Driver to have control of all school children so conveyed between the homes of the children and the school(s). The Driver shall keep order and maintain discipline in the bus, being firm but polite, impartial and fair, and see that no child is imposed upon or mistreated while in their charge, and shall use every care for the safety of the children under their charge.
3. The Driver is to perform personally all of the said work set out in this agreement, and shall not sell or assign this contract to any other person nor substitute any other person as driver, except with the approval of the School Corporation.
4. That the School Corporation may at any time alter and/or extend the route herein covered. In the event that the route as changed, altered or extended is longer than the route as described in this contract, the Driver shall be paid as additional compensation for each mile or fraction thereof in excess of the mileage of the originally contracted route, a sum equal to the average rate per mile as provided in this contract.
5. The Driver shall give a surety bond in such sum as fixed by the School Corporation, such bond to be conditioned upon the faithful performance of the full term of the contract. The Driver shall carry public liability and property damage insurance in a company authorized to do business in the State of Indiana in such amount as the School Corporation may deem necessary to afford adequate protection in the operation of the bus involved. Copies of all insurance policies shall be furnished to the School Corporation by the Driver.
6. The provisions of all Indiana statutes, rules and regulations of the State School Bus Committee, as same may be amended, pertaining to safety in the operation of school buses and the transportation of school children, are made a part of this contract by reference and Driver agrees to abide thereto.
7. The Driver hereby agrees that said school bus will be used to transport school children to and from school under the terms of this contract, and only for such additional permitted uses which are in accord with the provisions of IC 20-27-9 et seq., as same may be amended.
8. It is agreed that the provisions of IC 20-27-1 et seq., and IC 9-21-1 et seq., and as same may be amended, are hereby made a part of this contract, and that it is the intention of the parties thereto to enter into a binding contract subject to the School Transportation Code (IC 20-27-1 et seq.), and the Motor Vehicles Traffic Regulation Code, IC 9-21-1 et seq., the provisions of which shall prevail over any part of this contract determined to be in conflict therewith.

2 of 4 Driver Owned Contract

9. This contract incorporates by reference all present policies of the School Corporation with respect to the transportation of students and passengers and are hereby made a part of this contract.
10. This contract incorporates by reference applicable United States Department of Transportation regulations as same are amended and are hereby made a part of this contract.
11. The School Corporation shall pay the Driver the sum of One hundred ninety one and 00/100 Dollars (\$ 191.00) per day for the number of days (a) on which the calendar of the school corporation provides that students are to be in attendance at school, (b) the driver is required by the School Corporation to operate the bus on school related activities; and (c) days of inservice training which is either requested by statute or authorized by the School Corporation including, but not limited to, the safety meeting workshops.
12. Failure of Driver to comply with the terms of this contract, including all terms and conditions incorporated by reference, shall be deemed cause for cancellation of contract at the option of School Corporation Governing Body, or its authorized agent. In the event of such breach by Driver, School Corporation's authorized agent shall first recommend cancellation of the contract to School Corporation's Governing Body, which may act upon such recommendation without notification or opportunity for Driver to be heard, but such cancellation shall not be effective until the Governing Body takes action on such recommendation. Notwithstanding the above, School Corporation, acting by its authorized agent, may suspend the Driver immediately, for any conduct or omission that may constitute good and sufficient cause for cancellation of the contract, pending actual cancellation of the contract.

IN WITNESS WHEREOF, the parties have hereunto signed their names this 21 day of April, 2015.

Timothy Whitfield
Driver

School Corporation

By: Gene H. Moore
Shirley Tuttle
Dany B. Barty
James Seelbald

Members of the Governing Body of the School Corporation

NOTE: *Strike out either (A) or (B).

BOND

KNOW ALL PERSONS BY THESE PRESENTS, That we
as principal, and

as sureties, all of _____ County, in the State of Indiana, are firmly bound unto the School Corporation, in
the penal sum of _____ Dollars (\$) for the payment of which well and truly to be made,
we bind ourselves jointly and severally, and our joint and several heirs, executors, administrators, and assigns, firmly by these presents,
this _____ day of _____, 20_____

The conditions of the above obligation are such that, where as the _____
School Corporation, of _____ County, in the State of Indiana,
has let and contracted with said _____
to drive the conveyance on a school route in the said School Corporation above named, during the school term or terms of
_____ and _____ known as
"Route No. _____" (as per the contract, route and specifications attached hereto).

NOW THEREFORE, if the said _____ shall well and faithfully do and
perform their contract in accordance with the terms thereof, then this bond shall be null and void; otherwise, we bind ourselves to pay
all expenses incurred in carrying out the full agreement, as entered into by and between the said _____
and _____ School Corporation.

WITNESS our hand and seals this _____ day of _____, 20_____

(SEAL)

(SEAL)

(SEAL)

It is recommended that the Board approve the negotiated bus route contract for 2015-2019 as presented.

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<u>Route Number</u>	<u>Driver</u>	<u>Daily Rate</u>
1	Walter Winger	\$187.00
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5	Keith Hager	\$193.00
6	Tim Whitfield	\$191.00
7	Ronetta Whitfield	\$138.00
8	Chad Hager	\$154.00
9	Teresa Bowling	\$169.00
10	Melissa Harris	\$127.00

Motion by Larry Johnson
Seconded by Frank Kaiser
Vote 6-0-1 (Tim Whitfield abstained)

ORLEANS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2015, with Gary McClintic, Superintendent of Schools; Theresa Robbins, Treasurer; and Jon Stalker, President of the School Board.