

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

SPECIAL INVESTIGATION REPORT
OF

SCHOOL BOARD
SCHOOL TOWN OF MUNSTER
LAKE COUNTY, INDIANA

January 1, 2014 to August 31, 2015



FILED
10/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janice Swanson	07-01-13 to 06-30-18
Superintendent of Schools	Richard A. Sopko Dr. Jeffery Hendrix	07-01-13 to 06-30-14 07-01-14 to 06-30-18
President of the School Board	Judith E. Florczak Paula R. Nellans Melissa Higgason Ron Ostojic	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SCHOOL TOWN OF MUNSTER

We have conducted a special investigation of the records of the School Town of Munster (School Corporation) relating to the health insurance benefits for School Board members. Our investigation was limited to the following records: health insurance payments, policy, and School Board minutes. The purpose of our investigation was to determine if the accountability for cash and other expenditures are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents.

Any Official Response included herein this report has not been examined or verified for its accuracy.

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

June 28, 2016

SCHOOL BOARD
SCHOOL TOWN OF MUNSTER
SPECIAL INVESTIGATION RESULTS AND COMMENTS

HEALTH INSURANCE COVERAGE

Carrie G. Wadas (Wadas), former School Board member, resigned on January 12, 2014, but continued to be covered under the School Corporation's health insurance plan by paying \$300 a year until August 31, 2015. A School Board policy that approved this as a postemployment fringe benefit for School Board members was not presented for investigation.

The insurance company had an addendum that permitted a School Board member with "retired two consecutive four year term" who elects early retirement between the ages of fifty-five (55) and sixty-four (64) to continue to be a member of the group health insurance program, and the School Corporation would continue to contribute the same sum of money towards the premium cost as they were contributing at the time of early retirement election, until the School Board member attained the age of sixty-five (65) or qualified for Medicare. The current School Board approved the School Board Policy updates and revisions on August 10, 2015, to include in the bylaws an explanation of health benefits which allows a School Board member this benefit only while being a current member of the School Board beginning September 1, 2015.

However, Wadas was not fifty-five (55) at the time of her resignation. She received the employee benefit for 18 months while under the age of 55 and not an active member of the School Board. The School Corporation paid a total of \$29,934 towards health insurance coverage during the 18 months Wadas was not eligible.

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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 unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

We are requesting that Wadas reimburse the School Corporation \$29,934 for health insurance coverage paid on her behalf that she was not eligible to receive.

ADDITIONAL AUDIT COSTS

The State of Indiana incurred cost in the investigation of health insurance benefits.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SCHOOL BOARD
SCHOOL TOWN OF MUNSTER
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2016, with Janice Swanson, Treasurer; Dr. Jeffery Hendrix, Superintendent of Schools; Melissa Higgason, School Board member; Ronald Ostajic, President of the School Board; Judith Florczak, School Board Secretary; John Friend, School Board member; Paula Nellans, School Board member; Kathleen M. Maicher, School Corporation Attorney; Robin Winston, Public Relations; and Vicki Swing, Payroll Specialist.

The contents of this report were discussed on June 28, 2016, with Carrie G. Wadas, former School Board member, and John J. Wadas, III.

Carrie G. Wadas
7/14/16

Official Response:

1/12/2014 -STM board unanimously approved my exit letter which clearly addresses my ten year benefit (attached along with minutes showing unanimous vote)

1/30/2014 -received letter from STM clearly outlining my benefit for ten years

9/26/2014 -received from STM (under Supt. Hendrix), an acknowledgement of my benefit in the form of a bill which I paid through August 31, 2015

8/11/2015 -received a letter from STM stating that they were abruptly discontinuing my benefit on 8/31/2015


*(SBOA/ Mary Jo Small has these documents in her report)

Dear Paul D. Joyce, CPA,

After serving the School Town of Munster for over twenty years I decided to retire from my position before my term was up for a number of personal reasons knowing that I had earned an insurance benefit. I left with the understanding that I would be covered on the STM insurance for ten years and I clearly stated this on my exit letter which was unanimously approved by the board. I was told on numerous occasions that I was eligible for ten years of retirement benefit based on my length of service. I was told that other administrators and teachers were paid the benefit whether or not they had reached the age of 55. If covered persons had achieved the service requirement, they would be given ten years of insurance benefit. For instance, if someone retired at the age of 51 they would be given insurance benefits until they reached the age of 61, or ten years. Did the SBOA review those situations? The board members were covered under the same plan as the administrators. I was not 55 years old when I left but in the past people have left STM before 55, received the benefit, and it was never an issue. I am the first board member in this situation and deserve equal consideration.

The STM acknowledged, approved, and paid for my benefit. They abruptly discontinued my insurance and the fact that they are asking me to repay to them what they consciously paid on my behalf is unreasonable. It is not right. The STM should pay all ten years of the insurance benefit. I kindly ask that you reconsider your position after a review of all the facts.

Sincerely,



Carrie G. Wadas

Dec. 31, 2013

Dear Members of the Board of School Trustees and Superintendent
Richard Sopko,

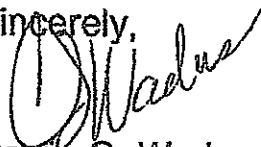
With a heavy heart and after a great deal of thought I ask that you accept my retirement and resignation from the Munster Board of School Trustees effective Sunday, January 12th, 2014. Working and serving with all of you as ambassadors for children and their educational system for over twenty years will always be one of the highlights in my life.

I don't believe that it is right for me to choose the next leader for our school corporation while my home is for sale. I know that it is legal to do so but I believe that a board member in this position should have a long term residency commitment to the district.

According to the plan I know that I am responsible for paying any increases in my current health insurance policy for the next ten years.

I will miss serving in my current role but it is time to pass the torch.

Sincerely,



Carrie G. Wadas

Mary E. Yorke. Also present were Richard Sopko, Superintendent, Steven Tripenfeldas, Assistant Superintendent, and Phyllis Gilworth, Director of Instructional Programs and Assessment.

APPROVAL OF AGENDA

Motion by Mrs. Nellans, seconded by Mrs. Yorke, to approve the agenda for the regular meeting of January 13, 2014, as amended. All voting aye, motion carried.

APPROVAL OF MINUTES

Motion by Mrs. Nellans, seconded by Mrs. Yorke, to approve the minutes of the regular meeting of December 9, 2013, as presented. All voting aye, motion carried.

SUPERINTENDENT'S REPORT

RETIREMENT/RESIGNATION OF SCHOOL BOARD MEMBER

Motion by Mrs. Nellans, seconded by Mrs. Yorke, to accept the retirement/resignation of School Board Member, Carrie Wadas, effective January 12, 2014. All voting aye, motion carried.

PRESENTATION OF SCHOOL BOARD PRESIDENT'S AWARD TO JOHN FRIEND

A desk set was presented to School Board President, John Friend, in appreciation for his year of service as Board President.

BOARD REPORTS/REQUESTS

MRS. FLORCZAK

Mrs. Florczak talked about the search for a new Superintendent.

MR. FRIEND

Mr. Friend stated that he had spoken with Mr. Tony Lux regarding the Superintendent search and state funding. He also mentioned researching the proper care and upkeep of the artificial turf on the football field.

MRS. NELLANS

Mrs. Nellans reported that the Munster Education Foundation's Blarney Blast will be held on March 7, 2014.

REORGANIZATION OF THE BOARD

ELECTION OF OFFICERS

Mrs. Nellans nominated Judith Florczak as President. Mrs. Florczak was unanimously elected President for the period January 1, 2014, through December 31, 2014. Mrs. Florczak presided over the meeting from this point.

Mrs. Nellans nominated Mrs. Yorke as Vice President. Mrs. Yorke was unanimously elected Vice President for the period January 1, 2014 through December 31, 2014.

Mrs. Yorke nominated Mrs. Nellans as Secretary. Mrs. Nellans was unanimously elected Secretary for the period January 1, 2014 through December 31, 2014.

APPOINT CORPORATE TREASURER

Motion by Mrs. Nellans seconded by Mrs. Yorke to appoint Janice Swanson as Corporate Treasurer for the period January 1, 2014 through December 31, 2014. All voting aye, motion carried.

SET SALARIES FOR SCHOOL BOARD MEMBERS FOR JANUARY 2014 THROUGH DECEMBER 2014

Motion by Mrs. Nellans, seconded by Mrs. Yorke, that School Board Members continue to receive an annual salary of \$2,000.00 and fringe benefits for the period January 2014 through December 2014 with no per diem for attendance at Board meetings. All voting aye, motion carried.

8396 Mississippi Street
Merrillville, Indiana 46410-6398
219.769.2323
219.769.5007 Fax

8425 Keystone Crossing • Suite 114
Indianapolis, Indiana 46240
317.571.7690
317.571.7686 Fax



SPANGLER, JENNINGS & DOUGHERTY, P.C.
ATTORNEYS AT LAW
www.sjdlaw.com

KATHLEEN M. MAICHER
Attorney At Law
email: kmaicher@sjdlaw.com

VIA EMAIL

October 12, 2017

Mr. Ryan Preston
STATE BOARD OF ACCOUNTS
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response of the School Town of Munster to the Special Examination Results and
Comments of the State Board of Accounts for 7/1/99 to 8/31/15
Our File No. ZZ8-72464

Dear Mr. Preston:

Please find attached the Official Response of the School Town of Munster to the Special
Examination Results and Comments of the State Board of Accounts for 7/1/99 to 8/31/15 (new
draft).

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

SPANGLER, JENNINGS & DOUGHERTY, P.C.


By: KATHLEEN M. MAICHER
Merrillville Office

KMM/ml
Enclosures

8396 Mississippi Street
Merrillville, Indiana 46410-6398
219.769.2323
219.769.5007 Fax

8425 Keystone Crossing • Suite 114
Indianapolis, Indiana 46240
317.571.7690
317.571.7686 Fax



SPANGLER, JENNINGS & DOUGHERTY, P.C.
ATTORNEYS AT LAW
www.sjdlaw.com

KATHLEEN M. MAICHER
Attorney At Law
email: kmaicher@sjdlaw.com

VIA EMAIL

April 25, 2016

Ms. Mary Jo Small, CPA
Ms. Karen Tetrault, CPA
STATE BOARD OF ACCOUNTS
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response of the School Town of Munster to the Special Examination Results and Comments of the State Board of Accounts for 7/1/99 to 8/31/15
Our File No. ZZ8-72464

Dear Meses. Small and Tetrault:

The School Town of Munster (STM) would like to take this opportunity to respond to the Special Examination Results and Comments of the State Board of Accounts (SBOA) for 7/1/99 to 8/31/15. We would like to comment on actions already undertaken by STM which bear upon these issues.

Insurance Benefits for Former Board Member

A. Citation: A Board member resigned on January 12, 2014 and was allowed to continue participation in the School Corporation's health insurance plan until August 31, 2015. There was no Board policy authorizing this benefit to a Board member who had resigned his/her position.

B. Corrective Action: First, there has never been a Board policy authorizing "retirement" from the Board or a policy authorizing health benefits to a Board member who has resigned his/her position.



Second, on August 10, 2015, the Board amended its policy on compensation. These amendments will prevent the reoccurrence of this issue in two ways. Under the current policy, a Board member may elect to participate in the health insurance plans of the School Corporation but only at the full premium amount at the Board member's sole cost. No longer will this benefit be funded by the School Corporation.

In addition, the new policy delineates the circumstances under which participation in the corporation's health insurance plans ceases. Participation in the School Corporation's health insurance plans ceases at the earlier of:

1. The expiration of the Board member's term;
2. The Board member's election to terminate such coverage; or
3. The Board member's failure to pay any premium for a benefit.

See Bylaw 0144.1 attached.

Very truly yours,

SPANGLER, JENNINGS & DOUGHERTY, P.C.

By: Kathleen M. Maicher
Merrillville Office

KMM/m1
Enclosures

School Town of Munster

Bylaw: 0144.1

**School Town of Munster
Bylaws & Policies**

0140 - MEMBERSHIP**0141 Number**

The School Board shall consist of five (5) members.

0142 Election/Appointment of Members and Eligibility to Serve

Members of the Board shall be qualified and elected in accordance with the Corporation's organization plan on file with the State Board of Education. In accordance with I.C. 20-26-4-11, if a teacher or a noncertified employee (as defined in I.C. 20-29-2-11) of the Board is elected or appointed to the Board, the employee must resign from employment by the Board before serving on the Board.

No person otherwise eligible to assume office as a member of the Board shall be disqualified on the basis of age if s/he is at least twenty-one (21) years of age (I.C. 20-26-4-9); and ownership of property shall not be a qualification to serve as a Board member (I.C. 20-26-4-11).

Before August 1st of each school year (July 1 to June 30), the Superintendent shall file with the State Superintendent of Public Instruction a listing of the:

- A. names and addresses of members of the Board;
- B. names and addresses of the Board's officers;
- C. expiration dates of the terms of the Board members and officers.

Should a change occur in Board membership during the term of one (1) or more members of the Board, the School Corporation shall file the change with the State Superintendent of Public Instruction within thirty (30) days after the change occurs. (I.C. 20-23-8-22)

Revised 3/11/13

0142.1 Term

The term of each Board member shall be four (4) years.

- A. to local media;
- B. to local officials and/or State officials.

Sometimes the statements imply, or the readers (listeners) infer, that the opinions expressed or statements made are the official positions of the Board. The misunderstandings that can result from these incidents can embarrass both the member and the Board. Therefore, Board members should, when writing or speaking on school matters to the media, legislators, and other officials, make it clear that their views do not necessarily reflect the views of the Board or of their colleagues on the Board.

- A. This bylaw shall apply to all statements and/or writings by individual Board members not explicitly sanctioned by a majority of its members, except as follows:
 1. correspondence, such as legislative proposals, when the Board member has received official guidance from the Board on the matters discussed in the letter
 2. routine, not for publication, correspondence of the Superintendent and other Board employees
 3. routine "thank you" letters of the President of the Board
 4. statements by Board members on nonschool matters (providing the statements do not identify the author as a member of the Board)
 5. personal statements not intended for publication
- B. Copies of this bylaw shall be sent to local media by the Board President.

0144 **Operations**

0144.1 **Compensation**

Each member of the Board of School Trustees will receive compensation for service on the Board, not to exceed the statutory maximum. The specific amount will be set by the Board.

Any current Board member in office on or before January 1, 2014, may participate in the corporation's health insurance plans at the cost paid for such benefit plans by an administrator in the corporation until December 31, 2016. A Board Member commencing a newly elected four-year term

and/or a board member appointed to fill a vacancy on the board on or after January 1, 2014 may elect to participate in the health insurance plans of the school corporation at the full premium amount at the board member's sole cost.

Beginning September 1, 2015, participation in the corporation's benefits plan ceases at the earlier of:

- A. the expiration of the Board member's term;
- B. the Board member's election to terminate such coverage;
- C. the Board member's failure to pay any premium for a benefit.

Expenses of a Board member shall be reimbursed when incurred in the performance of his/her duties or in the performance of functions authorized by the Board and will be reimbursable through the regular claim process.

The following guidelines have been established by the Board to ensure appropriate and proper reimbursement of expenses for Board members.

- A. Expenses will be reimbursed only for activities authorized by the Board.
- B. Reimbursement for mileage will not exceed the current rate established for Corporation employees.
- C. When attending a Board-approved conference, all fees, parking, mileage, meals, and lodging will be reimbursed.
- D. Purchase of any printed or other materials relating to Boardmanship will be reimbursed if prepurchase approval is given by the Board. If such approval is not possible or feasible, a voucher must be submitted to the Board for approval.
- E. When the Board attends a community or school-related event as a Board function, or if a Board member attends as the designated representative of the Board, any incurred expenses, including mileage, will be reimbursed by the Board. If a Board member attends such events as a private citizen, any incurred expenses are to be paid by the Board member.
- F. No entertainment expenses or purchases of alcoholic beverages are reimbursable.
- G.

SCHOOL BOARD
SCHOOL TOWN OF MUNSTER
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Carrie G. Wadas, former School Board member: Health Insurance Coverage, page 4	\$ 29,934	\$ -	\$ 29,934
Totals	<u>\$ 29,934</u>	<u>\$ -</u>	<u>\$ 29,934</u>

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA)
)
Jasper COUNTY)

We, Mary Jo Small, Field Examiner, and Karen Tetrault, Field Examiner, being duly sworn on our oaths, state that the foregoing report based on the official records as described in our letter to the officials of the School Town of Munster, Lake County, Indiana, for the period from January 1, 2014 to August 31, 2015, is true and correct to the best of our knowledge and belief.



Mary Jo Small

Karen Tetrault

Field Examiners

Subscribed and sworn to before me this 12 day of October, 2017.

Linda K Demoss, Notary
Notary Public

My Commission Expires: April 18, 2018

County of Residence: Jasper