

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

SPECIAL COMPLIANCE REPORT

OF

GARY COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
11/22/2017

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GARY COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This is a special compliance report for Gary Community School Corporation (School Corporation), for the period July 1, 2014 to June 30, 2016, and is in addition to any other report for the School Corporation as required under Indiana Code 5-11-1. All reports pertaining to the School Corporation may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the Superintendent of Schools' compensation. The Result and Comment contained herein describes the identified reportable instance 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.

The Official Response to the Result and Comment, incorporated within this report, was not verified for accuracy.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

September 28, 2017

GARY COMMUNITY SCHOOL CORPORATION
RESULT AND COMMENT

SUPERINTENDENT'S CONTRACT

For the period July 1, 2012 to June 30, 2015, Dr. Cheryl L. Pruitt's (Pruitt), Superintendent of Schools, contract provided for a "Growth Incentive Plan and Bonus to be agreed upon by the Board and the Superintendent." Pruitt was compensated an additional \$30,000 in March 2016; the supporting documentation provided stated that it was for bonuses for the 2012 to 2015 contract period, \$10,000 for each year of the contract. No documentation that the School Board agreed upon or approved the amounts or the timing of the payments of the Growth Incentive Plan and Bonuses was presented for audit.

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)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

We requested that Pruitt, Superintendent of Schools, reimburse the School Corporation \$30,000 for compensation received that was not properly approved in accordance with her contract. (See Summary of Charges, page 7)

GARY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2017, with Dr. Cheryl L. Pruitt, Superintendent of Schools.

The contents of this report were discussed on September 28, 2017, with Mary Comer, Treasurer; Dr. Peggy Hinckley, Emergency Manager; Rosie G. Washington, President of the School Board; Robert Buggs, School Board member; Norman Bailey, School Board member; Carlos Toliver, School Board member; Nellie Moore, School Board member; Sen. Earline Rogers, Fiscal Management Board member; Chancellor Thomas Keon, Fiscal Management Board member; Michael Washington, former Treasurer; and Sheleita Miller, MGT team member.



Gary Community School Corporation

Doing What Is Best For Students - Today - Tomorrow - Everyday

Board of School Trustees

Rosie G. Washington, President
Robert L. Buggs, Sr., Vice-President
Norman A. Bailey, Secretary
Nellie F. Moore
James M. Piggee
Darling Pleasant
Carlos Tolliver

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October 4, 2017

Tammy R. White, Deputy State Examiner
STATE BOARD OF ACCOUNTS
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE
Period Examined: July 1, 2014 to June 30, 2016
Date of Conference: September 20, 2017

Dear Ms. White:

Due to the fact that a majority of the Gary Community School Corporation Board of Trustees are new members (Robert L. Buggs, Sr., Norman A. Bailey, James M. Piggee and Carlos Tolliver) we will respond to only one item.

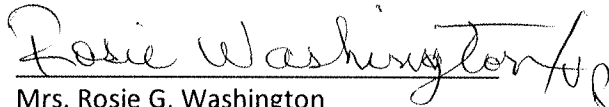
That item would be the auditor's request that Superintendent Cheryl Pruitt reimburse the school corporation a \$30,000 bonus compensation. The auditor cited three items that had no documentation to support the payments.

1. No documentation that the School Board **agreed upon** the amount.
 - On the second page of the "original 2012" contract, the subject heading reads "**Agreement** of the School Board of Trustees..." The 6th bullet point referenced and reads "Growth Incentive Plan and **Bonus** to be **agreed upon by the Board...**" The auditor, on its own initiative, accurately stated the bonus was for the contract period of 2012-2015 at \$10,000 for each year of the contract. (See enclosed auditor's document entitled "Gary Community School Corporation Results and Comment). Therefore, documentation did exist, then and now via a legally **agreed upon** contract.
2. "Payments made or received for contractual services must be supported by a **written contract**".
 - All bonus payments were referenced and **agreed upon** within the "original" contract which reads "**agreed** this 1st day of June, 2012." (See enclosed contract 1st and 2nd page.) Therefore, this assertion is erroneous when it states the bonus paid was not supported by a **written contract**. It was clearly included in the "**labor contract**" referenced above.

3. All compensation and benefits paid to officials and employees must be **included in the labor contract.**
 - It was properly **stated** and **agreed upon** in a **duly signed labor contract dated the 1st day of June, 2012.** See contract enclosed to refute the three items of contention as underlined in auditor's document entitled "Gary Community School Corporation Results and Comment." (See attachment.) Emphasis added, if the Board had not paid Superintendent Cheryl Pruitt the \$30,000 bonus **agreed upon**, then the Board would have illegally "breached" her contract. See also section 10 of the June 1, 2012 duly agreed upon labor contract which states "corporation **agrees** that it shall defend, hold harmless and indemnify superintendent from any and **all claims**, suits and legal proceedings ..."

In conclusion, the majority of the current Board disagrees with the auditor's request of the reimbursement of the \$30,000 bonus payment that was duly and legally agreed upon by the Board via a labor contract dated June 1, 2012. The other items, findings and recommendations by the auditor were repeat items and predated the majority of the current Board. Also, it is of interest to note that the current Board is prohibited from any and **all** budgetary actions via SEA 567 for the next four years. Therefore, we are prohibited from making any decisions. Those decisions are solely the authority of the Emergency Manager as per SEA 567.

Respectfully submitted,



Mrs. Rosie G. Washington
President, Board of School Trustees

*RLB:vp

Enc:

cc: Dr. Peggy Hinckley, Emergency Manager
Dr. Cheryl L. Pruitt, Superintendent
Board of School Trustees

(*) This document was created by Mr. Robert L. Buggs, Sr. in an attempt to address specified items.

The Official Response included an attachment which is not included in the report. The attachment is available upon request made to the Indiana State Board of Accounts' office.

GARY COMMUNITY SCHOOL CORPORATION
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dr. Cheryl L. Pruitt, Superintendent of Schools: Superintendent's Contract, page 3	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

This report was forwarded to the Office of the Indiana Attorney General and local prosecuting attorney.

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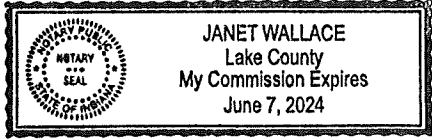
AFFIDAVIT

STATE OF INDIANA)
Lake COUNTY)

We, Cynthia M. David and Christina L. Griffin, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Gary Community School Corporation, Lake County, Indiana, for the period July 1, 2014 to June 30, 2016, is true and correct to the best of our knowledge and belief.

[Signature]
Christina L. Griffin
Field Examiners

Subscribed and sworn to before me this 16th day of October, 2017



[Signature]
Notary Public

My Commission Expires: 6/7/2024
County of Residence: Lake