

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

SPECIAL COMPLIANCE REPORT
OF
GREATER JASPER CONSOLIDATED SCHOOLS
DUBOIS COUNTY, INDIANA
July 1, 2014 to June 30, 2018



FILED
11/24/2018

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TO: THE OFFICIALS OF GREATER JASPER CONSOLIDATED SCHOOLS, DUBOIS COUNTY, INDIANA

This is a special compliance report for Greater Jasper Consolidated Schools (School Corporation), for the period July 1, 2014 to June 30, 2018, 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 payroll transactions/records and disbursements. The 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.

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

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

October 9, 2018

GREATER JASPER CONSOLIDATED SCHOOLS
RESULTS AND COMMENTS

BACKGROUND

Since the 2014-2015 school year, the School Board has passed annual salary ordinances that included hourly pay rates for maintenance workers and required them to work a 40-hour week. The School Board also passed daily rates paid for bus driver duties. This allowed the School Corporation to pay maintenance workers to drive school buses and perform maintenance duties on all days school was in session. In addition, on March 17, 2014, the School Board passed a salary addendum for Bobby Schitter (Schitter), maintenance employee/bus driver, to be compensated up to 10 extra hours per week for bus maintenance duties for each day school was in session. This addendum was renewed annually up to and including the 2017-2018 school year by the School Board.

HOURS WORKED NOT DOCUMENTED

During the 2014-2015 and 2015-2016 school years, maintenance workers driving a School Corporation school bus did not record their time driving the bus. The only hours reported on their time cards were the 8 maintenance hours required by the School Board to work a 40-hour work week.

Schitter's extra 10 hours approved by the School Board were not recorded on a time card from 2014-2015 school year up through and including the 2017-2018 school year.

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

". . . records be maintained showing which hours were worked each day by officers and employees: . . .

(2) employed . . . in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

HOURS WORKED NOT SEPARATED BY POSITION

During the 2016-2017 and 2017-2018 school years, all maintenance workers that drove a School Corporation bus route, including Schitter, documented approximately 10 hours per day on their time cards. The time cards documented the 10 hours per day in total, but did not split the hours worked between their maintenance and bus driver duties. Beginning in the 2015-2016 school year, the maintenance salaries were paid from the Capital Projects fund and the bus driver salaries from the Transportation fund.

GREATER JASPER CONSOLIDATED SCHOOLS
RESULTS AND COMMENTS
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Indiana Code 5-11-9-4(b) states in part:

". . . records be maintained showing which hours were worked each day by officers and employees: . . .

(2) employed . . . in more than one (1) position by the same public agency . . ."

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Administrator and Uniform Compliance Guidelines, March 2012)

WORK PERFORMED BY EMPLOYEE WITHOUT SCHOOL BOARD APPROVAL

Schitter performed bus maintenance duties and repairs over and above the required maintenance duties established by the School Board for the position. The School Board approved up to an extra 10 hours per week for Schitter to perform bus maintenance duties and repairs. Per inquiry of Schitter and the Superintendent of Schools, there were times that he could not perform these duties and repairs within the extra 10 hours, so he would ask permission from the Superintendent of Schools to repair buses during off hours and bill the School Corporation for the repairs and maintenance performed. When the bill was remitted to the School Corporation by Schitter, the Superintendent of Schools initialed off on it and sent it to the Treasurer to be paid. The School Board did not approve or have knowledge of the maintenance or repairs until the monthly School Board meeting.

No School Board resolution or documentation was presented that gave the Superintendent of Schools the authority to approve Schitter to perform and bill the School Corporation for bus maintenance and repairs during off hours. The School Board only approved for Schitter to work and receive compensation for 10 extra hours per week on bus maintenance duties.

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 20-26-5-4(a) states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . .

(8) To do the following:

GREATER JASPER CONSOLIDATED SCHOOLS
RESULTS AND COMMENTS
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(A) Employ, contract for, and discharge . . . superintendents of buildings and grounds, janitors, engineers . . . and other personnel or services as the governing body considers necessary for school purposes.

(B) Fix and pay the salaries and compensation of persons and services described in this subdivision that are consistent with [IC 20-28-9-1.5](#).

(C) Classify persons or services described in this subdivision and to adopt a compensation plan with a salary range that is consistent with [IC 20-28-9-1.5](#).

(D) Determine the number of the persons or the amount of the services employed or contracted for as provided in this subdivision.

(E) Determine the nature and extent of the duties of the persons described in this subdivision. . . ."

CONFLICT OF INTEREST

Schitter performed bus maintenance services and repairs on School Corporation school buses through his private repair business with approval from the Superintendent of Schools. He was paid \$17,665.23 for these services from November 11, 2014 through March 28, 2018. There were no conflict of interest forms filed by Schitter with the School Corporation for 2014, 2015, 2016, 2017, or 2018.

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is: . . .

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

GREATER JASPER CONSOLIDATED SCHOOLS
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- (d) A disclosure must:
- (1) be in writing;
 - (2) describe the contract or purchase to be made by the governmental entity;
 - (3) describe the pecuniary interest that the public servant has in the contract or purchase;
 - (4) be affirmed under penalty of perjury;
 - (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
 - (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; . . ."

INTERNAL CONTROLS

The School Board was responsible for all aspects of the School Corporation's governing activities. They were responsible for approving policies that ensure proper reporting of hours worked, separation of hours by position, and job descriptions for all employees. The School Board was also responsible for approving all School Corporation expenditures and ensuring all School Corporation functions are being performed. The Superintendent of Schools was responsible for the day-to-day operations of the School Corporation and implementing the policies and functions approved by the School Board. The Payroll Clerk and Treasurer were responsible for making payroll payments to employees based on policies passed and ensuring that employees are paid in accordance with Indiana Code and labor laws.

Due to the lack of both segregation of duties and communication between the School Board, Superintendent of Schools, Treasurer, and Payroll Clerk, School Corporation employees performed duties for maintenance and bus driving without reporting all their hours worked and without documenting hours worked by position. Without School Board approval or authority passed through to the Superintendent of Schools, the Superintendent of Schools approved an employee to work off-hours on bus maintenance and repairs without School Board knowledge until the work was performed and billed to the School Corporation. The School Board and Superintendent of Schools did not set up a system of internal controls to ensure all hours worked by maintenance employees were recorded and work performed by an employee off-hours was properly approved. As a result, the School Board could not provide accurate oversight of financial activity of the School Corporation.

The State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

GREATER JASPER CONSOLIDATED SCHOOLS
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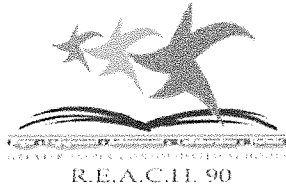
"Control activities are the actions and tools established through policies and procedures that help to detect, prevent or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner, whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

GREATER JASPER CONSOLIDATED SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2018, with Dr. Tracy Lorey, Superintendent of Schools; Bernie Vogler, President of the School Board; and Monica Young, Treasurer.



OFFICIAL RESPONSE

October 9, 2018

To Whom It May Concern:

This letter is in response to the exit conference conducted for a special compliance report for the Greater Jasper Consolidated Schools on October 9, 2018.

Comment 1 and 2: Hours Worked Not Documented/Hours Worked Not Separated by Position

The GJCS Board of Trustees approved an \$80 daily rates to be paid to all corporation employed bus drivers for bus routes. This amount is in addition to the hourly rate paid to employees who hold dual responsibilities within the district. This has been a GJCS past practice that spans many years and has passed the scrutiny of the Indiana State Board of Accounts through past audits. With the changes to HEA 1009, all expenses for maintenance staff and bus drivers will be paid from the Operations Fund which, will negate the need to delineate a difference between CPF and Transportation Fund expenditures in the future.

Future corrective actions will include exploring a delineation of pay for staff member/bus drivers that recognizes the additional credentials required to operate a bus. This may include moving employees from hourly-rates to salaried positions.

Comment 3: Work Performed by Employee Without Board Approval

In regard to payment to Schitter Repair for work conducted by Bobby Schitter outside of his hourly rate, the report indicated "The board did not approve or have knowledge of the maintenance or repairs until the monthly board meeting." GJCS Policy 6800 indicates the following:

"The Superintendent shall be responsible for the proper accounting of all Corporation funds. She shall ensure the expenditures are budgeted under and charged against those accounts which most accurately describes the purpose for which such monies are to be or have been spent. A report of the revenues and expenditures from the General Fund and all other established Funds shall be made to the Board on a monthly basis."

GJCS Board claims and dockets will show that invoices presented for payment for Schitter Repair were presented to the Board for approval at the monthly meeting of

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the Board. Only after Board approval of monthly claims and docketed were payments made. Proper documentation and a W-9 Form have been on file for Schitter Repair since 2012.

GJCS Policy 6320 indicates that the Superintendent is authorized to select the vendor she believes is the most appropriate vendor to provide the services sought. The board provides prior approval only if the purchase of services was not contemplated during the budgeting process. The budget for the Transportation Fund clearly outlines planned expenditures for bus repair to be done by outside vendors.

Finally, GJCS Policy 6450 outlines the authority given to the Superintendent by the Board to award purchases to local merchants for the purpose of maintenance or other types of service.

Proper procedures and approvals for obtaining bus maintenance by Schitter Repair, processing invoices with appropriate internal controls, authorizing approval of payment by the Board, and payment for services occurred within the scope of GJCS Policy. This is the same process for all purchases of goods and services within the monetary limits outlined in GJCS Policy.

Future corrective actions will include filing a Conflict of Interest Disclosure Statement for Schitter Repair in the event additional services are required.

We would be happy to further discuss any other items related to this report.

Sincerely,



Tracy Lorey, Ph.D.
Superintendent, GJCS