

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Contact: Mary Mosiman  
515/281-5835  
or Tami Kusian  
515/281-5834

FOR RELEASE \_\_\_\_\_ May 26, 2016 \_\_\_\_\_

Auditor of State Mary Mosiman today released a reaudit report on the Bettendorf Community School District (District) for the period July 1, 2013 through June 30, 2014. The reaudit also covered items applicable to the period July 1, 2014 through June 30, 2015. The reaudit was performed at the request of a District employee and a District Board member pursuant to Section 11.6(4)(a)(2) of the *Code of Iowa*.

The reaudit was requested due to concerns regarding potential conflicts of interest, business relationships, and travel policies.

Mosiman recommended the Board of Education exercise due care and require and review pertinent information and documentation prior to making decisions impacting the District. The District should review various Board policies to ensure they are appropriate, complete, adequately defined, and properly followed. In addition, travel policies should be strengthened by including additional limits related to gratuities and lodging. Also, the District should ensure the public purpose of disbursements, as defined in an Attorney General's opinion dated April 25, 1979, is documented and the disbursements provide a public benefit and are in the best interest of the District.

The District responded favorably to the recommendations included in the reaudit report. A copy of the reaudit report was filed with the Iowa Department of Education for its review and information.

A copy of the reaudit report is available for review in the District's Office, on the Auditor of State's website at <http://auditor.iowa.gov/reports/1430-0621-T00Z>, and in the Office of Auditor of State.

###



**BETTENDORF COMMUNITY SCHOOL DISTRICT**  
**AUDITOR OF STATE'S REPORT ON REAUDIT**  
**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

## Table of Contents

	<u>Page</u>
Officials	3
Auditor of State’s Report on Reaudit	5-6
Detailed Findings:	<u>Finding</u>
Potential Conflict of Interest	A 8-10
Professional Leave	B 10-11
Business Relationships	C 12
EdCamp Conference	D 12-13
Food Purchases	E 13-15
Travel and Other Food Expenditures	F 15-16
Hotel Rewards	G 16-17
Taxable Items	H 17
Oversight	I 18
Staff	19
Appendices:	<u>Appendix</u>
Out of District Professional Development Request Form	1 22-23
Out of District Professional Development Follow-up	2 24
Board Policy – Cash in School Buildings and/or District Office	3 25
Board Policy – Employee Travel Compensation Regulation	4 26-29

**Bettendorf Community School District**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Barry Anderson	Board President	2015
Jeannine Crockett	Board Vice-President	2015
Betsy Justis	Board Member	2013
Scott Tinsman	Board Member	2013
Pepper Trahan	Board Member	2013
Ray Cassady	Board Member	2015
Paul Castro	Board Member	2015
<b>(After September 2013 Election)</b>		
Scott Tinsman	Board President	2017
Betsy Justis	Board Vice-President	2017
Barry Anderson	Board Member	2015
Ray Cassady	Board Member	2015
Paul Castro	Board Member	2015
Jeannine Crockett	Board Member	2015
Pepper Trahan	Board Member	2017
<b>School Officials</b>		
Dr. Theron Schutte	Superintendent	2014
Maxine McEnany	Director of Financial and Business Services	Indefinite
Colleen Skolrood	District Secretary	Indefinite
Tim Perkins	District Treasurer	Indefinite
Lane & Waterman LLP	Attorney	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

**Bettendorf Community School District**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Auditor of State's Report on Reaudit

To the Board of Education of the  
Bettendorf Community School District:

We received two requests to perform a reaudit of the Bettendorf Community School District (District) in accordance with Section 11.6(4)(a)(2) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2014 and the workpapers prepared by the District's Certified Public Accounting firm to determine whether the CPA firm addressed any or all of the specific issues identified in the requests for reaudit during the annual audit of the District. Based on this review and our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the requests for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the District for the period July 1, 2013 through June 30, 2015.

The procedures we performed are summarized as follows:


1. Obtained and reviewed the legal opinion from Lane & Waterman LLP regarding the legality of issues identified during the audit of the fiscal year 2014 financial statements to determine the legal and financial effects to the District, including whether the issues have been resolved or whether additional follow up is needed.
2. Obtained and reviewed the Board of Education's Task Force memos of findings and recommendations to determine how the District plans to address and resolve the issues noted.
3. Obtained and reviewed various Board policies to determine whether they are adequate.
4. Obtained a listing from the District detailing purchases of food provided to employees during various meetings and examined the transactions to determine whether the purchases were made through a purchase order, were within the dollar limits included in the purchase order, were properly supported, were in accordance with Board policies, and met the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
5. Examined all food purchases identified as paid with petty cash to determine whether they were in compliance with Board policies.
6. Interviewed certain administrators and employees of the District to determine whether meals provided to employees, administrators, and/or Board members were included as taxable benefits on the individual's W-2.
7. Obtained and examined District documentation regarding an employee earning hotel rewards while on District business to determine compliance with District policy.


8. Obtained and examined a download of professional leave taken for all administrators for the period July 1, 2014 through June 30, 2015 from the absence and attendance management (Aesop) system to determine the amount of professional leave taken during the fiscal year and to determine whether professional leave taken by certain administrators was excessive.
9. Obtained professional leave data from the Grant Wood accounting system for certain District employees and compared it to the professional leave recorded in the Aesop system to determine whether the professional leave had been properly recorded and approved. Also, obtained a spreadsheet prepared by the District's Finance Office listing travel-related expenditures and compared it to the professional leave recorded in the Grant Wood accounting system to determine whether professional leave had been recorded.
10. Examined certain credit card transactions to determine propriety and whether appropriate supporting documentation was available.
11. Obtained the speaking schedule posted on the website maintained by the High School Principal and compared it to his travel reimbursements to determine whether the District paid travel costs for his speaking engagements.
12. Interviewed the High School Principal to determine how he distinguishes between speaking at a conference as a representative of the District or as an independent speaker and obtained explanations regarding his time, travel, and potential conflicts of interest.
13. Obtained and examined various supporting documents relating to travel costs to determine whether travel paid with the District's credit card or reimbursed to an individual were properly supported by invoices or receipts and appear proper.
14. Obtained a spreadsheet prepared by the District's Finance Office of travel costs when the employee was listed as an attendee and also as a speaker or presenter for a conference or workshop to determine the travel costs paid by the District and whether professional leave was properly recorded and approved.

Based on the performance of these procedures, we identified inadequate Board policies and instances of non-compliance and have developed various recommendations for the District. The inadequate Board policies and instances of non-compliance and our recommendations are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not identified during the performance of the specific procedures listed above.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the District, additional matters might have come to our attention that would have been reported to you. A copy of this reaudit report has been filed with the Iowa Department of Education for its review and information.

We would like to acknowledge the assistance extended to us by personnel of the District during the course of the reaudit.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 4, 2016



## **Detailed Findings**

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

We received 2 written requests to conduct a reaudit of the District for fiscal year 2014. The requests detailed specific concerns, including:

- A District employee worked outside the District as a professional speaker and used District resources. The employee also frequently traveled as a result of his speaking engagements, hired acquaintances for in-service training provided at the District, and received hotel reward points while traveling on District business using the District's credit card.
- 2 District Administrators traveled to a conference sponsored by a District vendor. The vendor paid the conference registrations and lodging expenses for the administrators. The District determined the vendor was a restricted donor.
- Uncertainty regarding whether certain reimbursable expenses should be included on an individual's W-2.
- The rental of a tuxedo by the District for an administrator nominated for a national award.
- A 5-year old student placed in the District's Voluntary Preschool Program without the proper enrollment documents but not included in the certified enrollment because he was 5-years old at the time.
- The storage of certain personnel and confidential information in an empty District office, which could have been accessed by individuals outside of the District's Finance Office.

As a result of the requests, we performed a review of the District's audit report and workpapers prepared by the District's independent auditors to determine whether a complete or partial reaudit of the District should be performed. As a result of this review, we determined it was necessary to perform reaudit procedures for the first 4 of the 6 concerns presented. The remaining concerns were either outside the scope of the reaudit, were sufficiently reviewed by the District's independent auditors, or were not considered to be a concern. In addition, certain concerns will be addressed through the fiscal year 2015 audit.

Except as noted, all items included in the requests for reaudit have been resolved. While the reaudit procedures performed addressed 3 concerns presented, additional procedures were not performed. Had we performed additional procedures, additional matters might have been identified and included in this report.

- (A) Potential Conflict of Interest – Board policy 307, “Administrative Code of Ethics,” states, in part, “The professional school administrator: Disallows consideration of private gain or personal economic interest to affect the discharge of professional responsibilities.”

In addition, Board policy 401.2, “Employee Conflict of Interest,” states, in part, “Employees’ use of their position with the school district for financial gain shall be considered a conflict of interest with their position as employees and may subject employees to disciplinary action.... It shall also be a conflict of interest for an employee to engage in any outside employment or activity which is in conflict with the employee’s official duties and responsibilities. In determining whether outside employment or activity of an employee creates a conflict of interest, situations in which an unacceptable conflict of interest shall be deemed to exist shall include, but not be limited to, any of the following: The outside employment or activity involves the use of the school district’s time, facilities, equipment and supplies....”

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

Board policy 402.6, "Employee Outside Employment," states, in part, "The Board believes the primary responsibility of employees is to the duties of their position within the school district as outlined in their job description. The Board considers an employee's duties as part of a regular, full-time position as full-time employment. The Board expects such employees to give the responsibilities of their positions in the school district precedence over any other employment.... It shall be the responsibility of the Superintendent to counsel employees....if, in the judgment of the Superintendent and the employee's immediate supervisor, the employee's outside employment interferes with the performance of the employee's duties required in the employee's position with the school district. The Board may request the employee to cease the outside employment as a condition of continued employment with the school district."

One of the concerns identified in the reaudit requests was a potential conflict of interest with the High School Principal and his personal business. The High School Principal has his own website, which states he is the co-founder of EdCampIowa, co-founder and co-moderator of #IAedchat, and co-author of a book entitled, "What Connected Educators Do Differently." The website also lists his speaking schedule from February 6, 2014 through July 19, 2016, which shows him as a presenter, keynote speaker, or facilitator for many different conferences or workshops at various locations throughout the country, such as Dallas, Texas; San Diego, California; and Atlanta, Georgia.

Based on a comparison of the speaking schedule on the website or other conference schedules to the District's professional leave records, the High School Principal took professional leave from the District for the speaking engagements during the year ended June 30, 2014 and the District paid the travel costs. According to the High School Principal, he was representing the District at those conferences. He also stated the conference may have paid his registration fee since he was speaking, but it did not provide an honorarium. According to the travel spreadsheet prepared by the District's Finance Office, the District did not pay a registration fee for the National Association of Secondary School Principals (NASSP) conferences held in February 2014 and 2015. The High School Principal stated he currently takes vacation and charges a fee for his speaking engagements, so the District does not pay his travel costs.

The request for reimbursement for the EdCampLeader conference included a \$68 charge for Uber while in Chicago. However, the receipt turned in did not include a date of service. In addition, the actual costs for certain expenses for the 2014 NASSP conference exceeded the approved purchase order amounts.

We also identified an occasion where the High School Principal was acting as a summit leader for a Future Ready Summit on June 15 and 16, 2015 in Wadsworth, Illinois. The submitted travel receipts of \$234.96 included meal receipts for breakfast on June 15, 2015 and breakfast and dinner on June 16, 2015. However, only 1 day of professional leave was recorded.

In addition, 2 invoices totaling \$693 were identified which relate to the purchase of 60 tee shirts with "R U CONNECTED?" and "#bettpride" on the front and "#iaedchat" on the sleeve. While the tee shirts included a reference to the Bettendorf Community School District, they also included a reference to #iaedchat, which was co-founded by the High School Principal. Therefore, the tee shirts appear to be promoting outside activities associated with the High School Principal, which would be a violation of Board policies 307 and 401.2.

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

Recommendation – The District should review its current policy for conflict of interest and ensure it addresses the issue of employees who are simultaneously employed by others or are self-employed. If this practice is allowed by the District, additional procedures should be developed and followed to ensure District resources are not being used and the District is not paying for travel expenditures when a District employee is working for someone other than the District. The policies should address when an employee is a speaker for a training event and receives an honorarium or has other costs reimbursed and the District pays the travel costs. In those cases, the honorarium or reimbursed costs should be remitted to the District.

In addition, the District should consider requiring all employees disclose any businesses they have a financial interest in and all administrators also disclose any potential conflicts of interest at the beginning of each year. The Board of Education should review the disclosures each year to ensure a conflict of interest does not exist.

Response – The District will further review its current policy (401.2) on conflict of interest and ensure that it addresses the issue of employees who are simultaneously employed by others or self-employed. Future policy and/or regulations will provide clarity regarding the District’s payment of expenses when a District employee presents at a training event and receives an honorarium or has other costs reimbursed by a third party. The policy and/or regulation will direct and provide a mechanism for employees to report honorariums and other payments to allow for proper reimbursement to the District. Near the beginning of each school year, the District will require all employees to disclose any business(es) in which they have a financial interest or any potential conflict(s) of interest. The Board of Education will review the disclosures each year to ensure a conflict of interest does not exist.

Conclusion – Response accepted.

- (B) Professional Leave – Board policy 408.1, “Licensed Employee Professional Development,” states, in part, “The Board expects licensed employees to attend and participate in professional development activities to maintain, develop, and extend their skills.... Requests for attendance or participation in a development program, other than those development programs sponsored by the school district, shall be made to the Superintendent or designee. Approval of the Superintendent or designee must be obtained prior to attendance....when the attendance would result in the licensed employee being excused from their duties or when the school district pays the expenses for the program. The Superintendent or designee shall have sole discretion to allow or disallow licensed employees to attend or participate in the requested event. When making this determination, the Superintendent will consider the value of the program for the licensed employee and the school district, the effect of the licensed employee’s absence on the education program and school district operations and the school district’s financial situation as well as other factors deemed relevant in the judgment of the Superintendent or designee.” Professional leave is in addition to vacation, sick leave, and personal leave.

Per discussion with District staff, the District records leave on 2 separate systems. Aesop is used to manage absences and arrange for substitutes when teachers are out. Each day, the District’s Finance Office runs an interface which identifies new leave records and imports the data to the Grant Wood accounting system. The Grant Wood accounting system tracks and maintains the different types of leave taken for financial reporting. According to District personnel, the Grant Wood accounting system only identifies new leave records from the previous 2 weeks. As a result, if leave is recorded in Aesop more than 2 weeks after the leave was actually taken, it may not be recorded in the Grant Wood accounting system.

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

The number of professional leave days used in fiscal year 2015 by the 21 administrators reviewed ranged from 5.5 days to 42.5 days. Eight administrators used 20 days of professional leave or more.

As a result of our procedures, the following were identified:

- Board policy does not include a maximum professional leave days allowed each year. The number of professional leave days taken appears excessive for certain employees.
- No form or other supporting documentation is required to justify/explain the benefits to be gained through attendance at various training events or conferences or to estimate the costs associated with attendance. Therefore, the value of the program and the financial impact to the District is not documented prior to attendance.
- Based on discussions with District staff, professional leave is not always approved by the supervisor prior to registration and other travel arrangements being made. In addition, several instances were identified where the professional leave was approved after the travel had occurred.
- In certain cases, the information in the Aesop system did not match the Grant Wood accounting system. Therefore, it is unclear whether all professional leave is being properly recorded. At the request of the Board of Education, the District's Finance Office prepared a spreadsheet of travel expenditures related to conferences, training, or other District trips and compared this list to professional leave recorded in the Grant Wood accounting system. While the leave may not have been recorded properly, the recording errors did not affect the financial impact to the District. We observed, but did not test, the spreadsheet prepared. However, it reflected 77 days which had not been recorded in the Grant Wood accounting system as professional leave.

Recommendation – The District should review its current policy and determine whether it is appropriate or whether a maximum number of professional leave days each year should be included, as well as a specific definition of professional leave and when it can or should be used. The District should also ensure professional leave is properly approved prior to attendance and prior to costs being incurred, including documentation of the value of the program and the financial impact to the District of the leave. In addition, the District should determine the best way to report professional leave to ensure all professional leave is properly recorded.

Response – The District will review its current policy and regulations and incorporate those recommendations of the State if not already addressed. To date, the District has developed, and the Board of Education adopted Policy Exhibits 408.1E1 Out of District Professional Development Request Form (adopted December 21, 2015) and 408.1E2 Out of District Professional Development Follow-Up (adopted December 7, 2015), (both attached, **Appendices 1 and 2**) for the purpose of ensuring that, prior to attendance and costs being incurred, professional leave is properly approved, that it aligns with district goals, and financial impact to the district is known. The District continues to work to create a policy or regulation to govern the amount and timing of professional leave taken, aid in documenting leave properly, provide direction for obtaining leave approval and determining leave priority, and for facilitating information sharing following professional development. The Board recognizes there is a leave documentation issue which is not the fault of the AESOP or Grant Wood System.

Conclusion – Response accepted.

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

- (C) Business Relationships – Board policy 401.14, “Employee Involvement in Decision-Making,” states, in part, “Individual building goals, related to school district goals, shall be developed each year through the leadership of building principals. Although strategic planning and curriculum are adopted District-wide, because the Board endorses the concept of shared decision-making, many adjustments and innovations will be made at the building level. Shared decision-making shall empower each school with the responsibility of exploring initiatives that best meet the needs and desires of its students and school community while satisfying established building goals and protecting the integrity of school district curriculum and policies.” This policy allows building principals to schedule individuals to provide training or workshops for employees of the District without additional approval. We determined several of the individuals selected to provide training or workshops to the High School also provided testimonials or quotes on the High School Principal’s website. In addition, the High School Principal, teachers, and students also made various trips to the school districts of some of these individuals.

One of the concerns identified in the reaudit requests was the High School Principal hires his acquaintances to provide services to the District, such as in-service training which is paid for by the District. According to the High School Principal, the individuals who have been asked to present or speak to the District are experts in their fields. Because the Board policy allows for decision making at the school level by the principal, we did not identify any instances of policy violations. We were unable to determine if any personal relationships had an impact or influenced the decisions on who to use as presenters or speakers.

In addition, 2 District administrators and 12 students visited another school district in Illinois for a student exchange, and the District paid \$283.06 for meals provided to the 14 individuals from the District as well as 11 students and 2 adults from the Illinois school district. The public purpose served by providing meals to the 13 individuals from the Illinois school district is unclear.

Recommendation – The District should consider modifying its policies and procedures to provide for an independent review and approval of agreements with speakers for training or facilitators for workshops to ensure there is a public purpose and the District is obtaining adequate value for these expenditures. The District should also ensure public purpose is documented on all claims to pay for meals of non-District individuals.

Response – The District will consider modifying its policies and procedures to provide independent District level review and approval of all agreements with speakers for training or facilitators for workshops to ensure there is a public purpose, that it fits the professional development plan, is not a conflict of interest, and that the District is obtaining adequate value for these expenditures. The District and Board will develop and implement a means of documenting public purpose on all claims if expenses of non-District individuals are being paid.

Conclusion – Response accepted.

- (D) EdCamp Conference – Board policy 905.1, “Community Use of School District Facilities,” states, in part, “Organizations, individuals, and other entities who wish to use the school district facilities (indoor and outdoor) must apply with the appropriate Facilities Coordinator as follows: For all athletic facilities, with the High School Activities Director; for any other facility, through the facility’s principal. It shall be the responsibility of the Facility Coordinator to determine whether the school district facility requested is available and whether the application for use meets board policy and administrative regulations. It shall

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

be the responsibility of the Facility Coordinator to provide application forms, obtain proof of insurance, and draw up the contract for use of school district property. A group using a facility shall be required to provide evidence of liability insurance providing no less than \$1 million limit for bodily injury or property damage.”

The spreadsheet comparing travel costs to speaking engagements, prepared by the District’s Finance Office, noted the District hosted an EdCamp Conference at the High School. As an outside group using a District facility, an agreement with the conference sponsor and proof of insurance should have been obtained. However, the High School Principal is the Facility Coordinator and, as previously stated, he is listed on his website as a co-founder of EdCampIowa. This would represent a conflict of interest. There is no evidence the required documentation was obtained. The High School Principal stated he asked the District to hold the EdCamp Conference; however, there was no signed agreement and no proof of insurance was obtained. He also stated other individuals within the District hold events at the District and no proof of insurance is obtained. However, no events held by other individuals were tested as part of the reaudit.

In addition, the District paid \$20 for 200 brewed cups of coffee for this conference, which was held on a Saturday.

Recommendation – The District should implement procedures to ensure compliance with the policy on use of school district property, including obtaining an agreement and proof of insurance in cases where the event is not a school sponsored event. The District should also not pay for any costs related to events held by an outside entity.

Response – The District will review Board policy 905.1 Community Use of School District Facilities and revise as necessary. On May 16, 2016, the Board approved purchase of a web based scheduler called *rSchoolToday* to ensure compliance with policy and confirm agreements are in place and proof of insurance provided. The District will reiterate to its employees that an employee must also comply with Board policy 905.1, including the need for a written agreement and proof of insurance, when requesting to utilize the facilities for a non-school sponsored event. The District will not pay for any costs related to events held by an outside entity.

Conclusion – Response accepted.

- (E) Food Purchases – Board policy 705.4, “Expenditures for Public Purpose,” states, “The Board recognizes and supports the principle that district funds are to be expended only for legitimate public purposes and not for private personal gain for which services of comparable value have not been rendered to the district. The Board, therefore, believes it is important to designate those expenditures for officers, directors, employees, and volunteers, which are, in addition to salaries and benefits, authorized and legitimate expenses which serve a legitimate public purpose.”

The policy goes on to state the expenditure of District funds are commonly-granted benefits which “aid in recruitment of personnel, promote improvement of staff morale and cooperation, and assist in building a commitment to the district, thus assisting in creating a more productive learning environment.” According to the policy, examples of such expenditures include:

1. Expenditures for food items and refreshments for Board members and staff during Board meetings and/or work sessions.

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

2. Expenditures for food items and refreshments for Board committees or Superintendent committees during meetings.
3. Expenditures for food items and refreshments for professional development (in-service) meetings, late start meetings, committee meetings, or parent-teacher conferences.

Generally, a purchase order is used to document the estimated costs of the purchases.

The District's Finance Office prepared and provided a spreadsheet listing food purchased during the year ended June 30, 2014 for various meetings attended by District employees, administrators, or Board members. These were meals provided to individuals within the District or in the vicinity of the City of Bettendorf while they were not in travel status. The spreadsheet included 204 purchases totaling \$16,947.94. As a result of our procedures, the following were identified:

- 68 transactions totaling \$6,375.27 did not meet the guidelines for allowable public purpose in accordance with Board policy 705.4. Examples of these transactions are purchases at Hy-Vee and Happy Joe's pizza for a new teacher social and orientation, charges from the District's food service for breakfast, lunch, snacks, or meetings, and various other purchases from Hy-Vee or Sam's Club.
- Certain transactions met the purpose of Board policy 705.4; however, it was not clearly documented how they met the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. According to the opinion, it is possible for such expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.
- 50 food purchases totaling \$1,079.06 were made through petty cash. However, Board policy 702, "Cash in School Buildings and/or District Office," states, in part, "The expenditure shall be pre-authorized by the building principal or designee before the purchase is made." There was no evidence of pre-authorization for the food purchases made from petty cash. In addition, certain food purchases did not appear to meet the test of public purpose and the petty cash purchases included sales tax. As a tax exempt entity, the District should not pay sales tax.
- The District has open purchase orders with various vendors for the purchase of routine items, including administration supplies and cooking supplies for classes. We identified 7 instances totaling \$960.22 where food was purchased under an open purchase order. As a result, the purchases were not specifically approved for the meeting held.
- The actual cost exceeded the amount approved in the purchase order for 6 transactions.
- 3 transactions totaling \$320.97 were not adequately supported so it could not be determined whether the public purpose was met.
- A transaction had no description available so it could not be determined whether the public purpose was met and documented.



Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

Recommendation – The District should review Board policy 705.4 to ensure the policy meets the requirements of the Attorney General’s opinion, and disbursements allowed by the Board policy provide a public benefit and serve the best interests of the District. The District should also ensure the public purpose and compliance with Board policy is clearly documented for all transactions. Transactions should not be made from petty cash without pre-authorization, and all transactions should be properly authorized and include sufficient supporting documentation.

Response – The District will review Board policy 705.4 Expenditures for Public Purpose to ensure the policy meets the requirements of the Attorney General’s opinion addressing public benefit and best interests of the District. In addition, the Board has updated policy 702 Cash in School Buildings and/or District Office, **Appendix 3**, restricting disbursement of petty cash. The District will develop and implement procedures to ensure that the noted food purchases are appropriate, properly authorized, documented, and include sufficient supporting documentation. For the remainder of this fiscal year, any proposed purchase of food using District funds must be approved beforehand by the superintendent and consistent with Board policy 705.4

Conclusion – Response accepted.

- (F) Travel and Other Food Expenditures – Board policy 401.7, “Employee Travel Compensation,” states, in part, “Employees, and members of the Board of Education, traveling on behalf of the school district and performing approved school district business will be reimbursed for their actual and necessary expenses.... Travel outside of the school district must be pre-approved. Pre-approval shall include an evaluation of the necessity of the travel, the reason for the travel and an estimate of the cost of the travel to qualify as approved school district business. Travel outside the school district by employees, other than the Superintendent, shall be approved by the Superintendent or designee.... Prior to reimbursement of actual and necessary expenses, the employee must provide the school district with a detailed receipt, other than a credit card receipt, indicating the date, purpose and nature of the expense for each claim item.... Failure to have a detailed receipt shall make the expense a personal expense.... Reimbursement for actual and necessary expenses for travel outside the school district will be limited to the pre-approved expenses.... Actual expenses for meals will be reimbursed up to the federal meal allowance as listed and pro-rated in the current IRS publication #463.... Meals may be pre-approved for a larger amount by the Board.”

Currently, a purchase order estimating the costs of travel is to be prepared and approved by the Supervisor in the Grant Wood accounting system.

As a result of our procedures, we identified the following:

- Employees frequently travel with a District credit card and charge meals directly to the credit card. However, a separate travel summary per person is not prepared to determine whether meals per day are within the federal meal allowance in accordance with the Board approved policy.
- The current policy does not set limits on lodging expenditures per night.
- 6 instances were noted during fiscal years 2014 and 2015 where students and administrators from other schools visited Bettendorf High School. The District paid \$1,054.24 for meals for employees of the District and the visitors. It is unclear what public purpose is served by the District paying for these meals. In addition, 2

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

instances were noted where the receipt provided to the District was \$10 and \$5 less than the amount charged to the credit card.

- A credit card receipt for meals provided to 16 District employees documented a 24% gratuity. The travel policy does not address gratuities; however, the 24% gratuity does not appear reasonable as a use of District funds. For example, the State of Iowa limits reimbursement of a gratuity to 15% of the food bill.
- A bill for a meal included an 18% gratuity which was clearly stamped on the bill; however, an additional gratuity was added.
- A meal receipt did not contain the establishment name, address, date of service, or time.
- An instance was noted where a flight was reserved on August 25, 2014; however, the purchase order was dated August 26, 2014.
- Certain reimbursement requests did not include the time departed and returned to determine whether the meal reimbursements included were reasonable.

Recommendation – The District should strengthen its travel policy by addressing gratuity and maximum reimbursements for lodging per night. In addition, the District should ensure Board policies are followed for pre-approval, ensuring meals charged to the credit card are within stated limits, and reimbursement requests and meal receipts include the required information to document the expenditures are a valid and reasonable cost of the District. The District should also ensure public purpose is clearly documented for all transactions.

Response – The District developed and the Board approved Board policy regulation 401.7R1 Employee Travel Compensation Regulation (attached **Appendix 4**) on Dec. 7, 2015, which strengthened and brought greater clarity and specificity to District expectations related to employee travel compensation. This regulation addresses gratuity and lodging. The District will further review the regulation and determine if greater clarity is needed regarding travel status and expenditures and employee documentation. Also see the District’s responses to sections “B” and “H.” The District will review its existing procedures and practices to determine whether additional steps are needed to ensure meals are within stated limits and reimbursement requests and meal receipts include the required information to document expenditures are appropriate.

Conclusion – Response accepted.

- (G) Hotel Rewards – Board policy 401.10, “Credit Cards,” states, in part, “Employees may use school district credit cards for the actual and necessary expenses incurred in the performance of work-related duties.” In addition, Board policy 401.10R1, “Credit Card Use & Procedures,” states, in part, “Any credits earned such as frequent flyer miles or other things of value received as a result of the use of the District’s credit card will be the property of and solely for the benefit of the School District.”

The District determined certain employees were receiving hotel rewards when using District credit cards while on District business. The District provided adequate documentation for its disposition and handling of this situation with the employees; however, the District has not conducted further follow up to determine whether this practice has been discontinued.

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

Recommendation – The District should ensure the Board policy is being followed and ensure appropriate action is taken with the employee if future violations of Board policy are identified.

Response – As noted in the State’s document, the District has addressed this situation. The superintendent will further follow-up to ensure its policy regarding credit card use (including the accrual of credits, points, rewards, etc.) is being followed. The District will continue to monitor policy (401.10R1 Credit Card Use and Procedures) compliance and, if future violations of Board policy are identified, appropriate action will be taken.

Conclusion – Response accepted.

- (H) Taxable Items – According to section 119 of the Internal Revenue Code (IRC), meals provided are excluded from wages of the employee if the meals are provided on the employer’s business premises and for the employer’s convenience. Section 12 of the Internal Revenue Service (IRS) Fringe Benefit Guide defines meals provided for the convenience of the employer as meals provided for a substantial “noncompensatory” reason and provides examples of such reasons. If meals do not meet this exemption, they should be included in the employee’s W-2 and are subject to income tax.

Meals provided to employees for various meetings within the District or the vicinity of the City of Bettendorf (as discussed in **Finding E**) do not appear to meet the definition of the convenience of the employer but were not included in the employees’ W-2s. Therefore, the employees were not taxed for these meals in compliance with the IRC.

Recommendation – The District should review the IRC and ensure the value of the meals the District provides to employees is included in the employees’ W-2s so they are taxed according to IRS regulations.

Response – The District will seek guidance to ensure District provided meals are included in employee W-2s as appropriate in compliance with IRS regulations.

Conclusion – Response accepted.

- (I) Oversight – The Board of Education and the District administration have a fiduciary responsibility to provide oversight of the District’s operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the Board of Education and the District administration did not exercise proper fiduciary oversight.

Recommendation – Oversight by the Board of Education and the District administration is essential and should be an ongoing effort by all members. In the future, the Board of Education and the District administration should exercise due care and require and review pertinent information and documentation prior to making decisions impacting the District. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

Response – The Board and the District agree with the findings and the District will comply with all the Recommendations proposed by the State. The Board recognizes its fiduciary responsibilities and the need for ongoing oversight. The Board and Administration will continue to review existing policies and procedures to determine if additional revisions are

Bettendorf Community School District

Detailed Findings

July 1, 2013 through June 30, 2014

needed and will adopt, implement, monitor, and enforce new Board Policies and Administrative Regulations when determined necessary to provide effective oversight of the district's operations and financial transactions. In addition, the Board and Administration will continue to educate employees to ensure compliance with Board policy and Administrative Regulations. If potential violations are reported, the Board will develop a process of review and response. Oversight by the Board and Administration will be ongoing and the Board will immediately develop action plans to address the Recommendations.

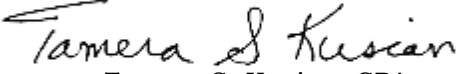
Conclusion – Response accepted.

Bettendorf Community School District

Staff

This reaudit was performed by:

Pamela J. Bormann, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Michael Holowinski, Assistant Auditor

  
Tamera S. Kusian, CPA  
Deputy Auditor of State

**Bettendorf Community School District**

## **Appendices**

Bettendorf Community School District  
Out of District Professional Development Request Form

BETTENDORF COMMUNITY SCHOOL DISTRICT • BETTENDORF, IA

**Board Policy**

Code No. 408.1E1

**OUT OF DISTRICT PROFESSIONAL DEVELOPMENT  
REQUEST FORM**

Please print clearly. Complete and forward to your Building Principal/Supervisor at least two weeks prior to the activity.

Name: \_\_\_\_\_

Building: \_\_\_\_\_

Name of Conference/Activity: \_\_\_\_\_  
*Attach conference/workshop material or agenda to this request form.*

Dates: \_\_\_\_\_

Destination (City/State): \_\_\_\_\_

Classroom Sub Needed: Yes \_\_\_ No \_\_\_ Dates for sub: \_\_\_\_\_

In the space below briefly describe how this PD will enhance the educational setting.

In the space below, briefly describe how you plan to share what you have learned with others.

Projected cost to attend professional development activity:

Registration Fee	
Travel Expense (.40 per mile personal car; .55 for school vehicle)	
Meal Expense (\$65 out of state; \$52 in state)	
Substitute Expense (\$150 per day)	
Hotel and/or Parking	
Other Expense	

Total Projected Expenses: \$ \_\_\_\_\_

Are there any expenses being funded by a source other than the district? Yes \_\_\_ No \_\_\_  
If yes, please explain and state amount:



Bettendorf Community School District  
Out of District Professional Development Request Form

Bettendorf Community School District  
BOARD POLICY 408.1E1 • OUT OF DISTRICT PROFESSIONAL DEVELOPMENT REQUEST FORM

Administrators:  
Please check budget

TQ Building	
TQ District	
Iowa Core	
TLC	
Bldg Budget	
Other (please specify below):	

Teacher: \_\_\_\_\_  
Signature Date

*Please Note: You must meet with your building administrator within two weeks of return from this professional development activity.*

Principal/Supervisor: \_\_\_\_\_  
Signature Date

Central Office: \_\_\_\_\_  
Signature Date

Approved: December 21, 2015

Reapproved:

Revised:

Bettendorf Community School District  
Out of District Professional Development Follow-Up

BETTENDORF COMMUNITY SCHOOL DISTRICT • BETTENDORF, IA

**Board Policy**

Code No. 408.1E2

**OUT OF DISTRICT PROFESSIONAL DEVELOPMENT  
FOLLOW-UP**

PD Participant(s): \_\_\_\_\_  
Supervisor: \_\_\_\_\_  
Title of PD: \_\_\_\_\_  
Date(s) of PD: \_\_\_\_\_  
Date of Follow-Up: \_\_\_\_\_

How will information be shared/implemented? (Check all that apply.)

- |  |  |
|--|--|
| <input type="checkbox"/> Discussion with Supervisor  | <input type="checkbox"/> Action/Research                 |
| <input type="checkbox"/> Discussion with Grade Level | <input type="checkbox"/> School Board presentation       |
| <input type="checkbox"/> Discussion with Content     | <input type="checkbox"/> Study Group                     |
| <input type="checkbox"/> Instructional Integration   | <input type="checkbox"/> PLC meeting                     |
| <input type="checkbox"/> Faculty meeting             | <input type="checkbox"/> Future Planning                 |
| <input type="checkbox"/> Coaching Conversation       | <input type="checkbox"/> Blog (or other electronic mode) |
| <input type="checkbox"/> District Workshop           | <input type="checkbox"/> Other: _____                    |

Comments:

Supervisor: \_\_\_\_\_  
*Signature* *Date*

Approved: Dec. 7, 2015

Reapproved:

Revised:

Bettendorf Community School District

Board Policy – Cash in School Buildings and/or District Office

BETTENDORF COMMUNITY SCHOOL DISTRICT • BETTENDORF, IA

**Board Policy**

Code No. 702

**CASH IN SCHOOL BUILDINGS and/or DISTRICT OFFICE**

The amount of petty cash that may be kept in the school building/district office shall be sufficient to cover up to \$50 per receipts for expenditures made by an individual per person per day. These expenditures shall be pre-authorized by the building principal or designee before the purchase is made and documented with receipts.

Petty cash is only to be used to pay small amounts owed, such as postage. For any disbursement from petty cash, a receipt or other appropriate supporting documentation should be maintained with the remaining petty cash until it is replenished. The supporting documentation should then be maintained with the disbursement records to support the replenishment.

Petty cash may not be used for disbursements for employee meals and other travel related expenditures. Those requests need to be handled through the normal disbursement method.

Cash and other funds raised by students shall be deposited in the authorized depository daily and recorded in the activity accounts daily.

It shall be the responsibility of the Superintendent or designee to determine the amount of cash necessary for each day's operations in each school or office and to comply with this policy.

*Legal Reference:* Iowa Code § 279.8 (2011).

*Cross Reference:* 701.1 Depository of Funds  
704 Revenue

*Approved:* March 18, 1996

*Reapproved:* April 5, 1999  
March 18, 2002  
November 1, 2004

*Revised:* December 3, 2007  
February 19, 2013

Bettendorf Community School District

Board Policy – Employee Travel Compensation Regulation

BETTENDORF COMMUNITY SCHOOL DISTRICT • BETTENDORF, IA

**Board Policy**

Code No. 401.7R1

**EMPLOYEE TRAVEL COMPENSATION REGULATION**

**I. Purpose**

The Bettendorf Community School District Board of Directors recognizes the educational value of staff participation in out-of-district meetings, conferences, and/or conventions for the purpose of enhancing employee knowledge and competence to further their ability to carry out job assignments and better contribute to District operations. Actual and necessary travel-related expenses incurred by employees while functioning within the scope of employment may be reimbursed upon final approval from the school district.

The purpose of this regulation is to identify school district business expenses that may involve initial payment by an employee and qualify for reimbursement from the school district and to specify the manner by which the employee seeks reimbursement.

**II. Authorization**

All school district business travel requests for reimbursement (for any out-of-district trip) must be pre-approved by the supervising administrator. The District expects employees to check out a District credit card from the Finance Department, for such expenses, in order to minimize the need for employee reimbursement. Such expenses to be reimbursed may include transportation, meals, lodging, registration fees, required materials, parking fees, tips, and other reasonable and necessary school district business-related expenses.

**III. Reimbursement**

A. Requests for reimbursement must be itemized on the official school district reimbursement form (401.7E1) and are to be submitted to the supervising administrator. Original detailed receipts, other than credit card receipts, must be attached to the reimbursement form. All claims for reimbursement shall be made within five business days from the date the employee returns to the District.

The supervising administrator approving reimbursement is responsible for deciding upon the reasonableness of the request and has the authority to disallow unreasonable or unnecessary expenses. After review and approval, the supervising administrator will send the expense report to the business office.

The employee's expense request will be audited in the District business office. Claims which are not in accordance with policy, are not properly approved, or are not supported by required receipts will be returned to the supervising administrator who approved the request.

B. **Auto Travel** - It is encouraged that school-owned vehicles be used when it is reasonable to do so. A request for use of a school district vehicle for approved school business should be sent to the Director of Operations. Assignments will depend on availability. Community or personal use of school vehicles is

## Bettendorf Community School District

## Board Policy – Employee Travel Compensation Regulation

Bettendorf Community School District  
BOARD POLICY - 401.7R1 • EMPLOYEE TRAVEL COMPENSATION REGULATION

prohibited. Any such usage will require the employee to reimburse the District an amount established annually by the Board of Education, not to exceed the federal mileage reimbursement rate. Incidental personal use, when the public purpose is also served by such use shall not be considered a violation of this policy (An example would be if an employee were to stop at his/her residence to pick up materials for a school-related function being traveled to in a District-owned vehicle).

Travel by personal car is permitted within certain restrictions. Only those miles traveled in the course of official business may be claimed. Mileage for all activities will be measured from the employee's job location. If mileage reimbursement is requested, a mileage calculator/map (e.g. Mapquest, Google Maps, etc.) must be attached. Any personal travel incidental to the trip will not be eligible for reimbursement.

Personal automobile travel shall be reimbursed at the mileage rate set by the school board. For out-of-District travel, exceeding 300 miles from the District Administration Center, reimbursable mileage will be limited to the cost of public air transportation at the "coach" or economy rates. If the cost of travel by personal vehicle exceeds the cost of coach air fare, the district will reimburse to the extent of the lesser amount. It is permissible for employees to take their own vehicle on a trip to enable them to use some vacation time; however, the same standard regarding reimbursement at the lesser amount, whether airline or private vehicle will apply.

If two or more employees travel together in one private vehicle, mileage reimbursement may be claimed by only one person.

Parking and toll costs are reimbursed for actual cost – receipts must be provided.

Complimentary hotel transportation service (vans or shuttle buses) should be used whenever available. Claims for the actual cost of taxi, rental car and other forms of transportation related to the conference/convention activity may be made in addition to the round trip airfare to the destination city. The fares for such activities are for travel to and from airports, train or bus stations, and to and from hotels/motels and the conference/activity site. No reimbursement will be made for personal trips, sightseeing, etc. The employee will be expected to get receipts for these fares.

- C. **Meal Expenses** - Reimbursement will be based on the actual cost of meals with a maximum of three receipts per day. The daily meal rate is based on federal meal allowance as listed and prorated in the current IRS publication #463. The per diem high-low substantiation rates should be used as a rule of thumb. For 2014-2015, the amount paid for meals is \$65 for travel to any high-cost locality and \$52 for travel to any other locality. This allowance includes any miscellaneous expense including any applicable tips. Tips on meals shall reflect the amount actually paid, up to a maximum of 20%. The suggested allowance for each meal is 20% for breakfast, 28% for lunch, and 52% for dinner. If any meal is provided by a conference sponsor, the employee will

Bettendorf Community School District

Board Policy – Employee Travel Compensation Regulation

Bettendorf Community School District  
STANDARD POLICY - 401.7R1 • EMPLOYEE TRAVEL COMPENSATION REGULATION

not be eligible for that meal reimbursement, thereby reducing the daily per diem. Specific meal rates for every locality in the continental United States can be found at the U.S. General Services Administration website at: <http://www.gsa.gov/portal/content/104877>

Payment and/or reimbursement for alcoholic beverages and tobacco are never permissible and every effort should be made to not have such purchases reflected on receipts turned into the District business office as expense documentation.

- D. **Lodging Expenses - Hotel/Motel** costs the night before a conference will be reimbursed if the distance is more than 120 miles from the school. Hotel costs the night before a conference within a 120 mile radius of the school district is not normally reimbursed. Only when compelling circumstances exist and with the advanced approval of the supervising administrator will exceptions be permitted.

Employees are advised to select lodging as reasonable in cost (for the area where lodged) as consistent with comfort, safety and convenience and within budgetary allocations. This amount should not exceed that which is charged by the host hotel for scheduled events or conferences. If an employee elects to stay at a hotel, other than the host hotel, the employee may be responsible for any additional cost.

Employees should always ask for the special government room rate when making hotel room reservations. If an employee chooses to have a family member or a significant other share the room, the employee will pay for half of the room rate when it dislodges another District employee from sharing the room.

When two (2) or less people of the same gender are traveling, the District will appropriate lodging reimbursement for one room only per conference. Additional rooms will be considered if there are extenuating circumstances or concerns that are discussed with the supervising administrator.

Room charges will not be reimbursable except phone and internet charges (when free Wi-Fi is not available) on District business. All claims for telephone expenses must show the name(s) of the person called and the purpose. Room movies, personal telephone calls, and room service are not reimbursable.

- E. **Commercial Transportation (air, rail, or bus) Expenses** – Reimbursement is limited to coach or economy rates between the origin and destination cities and return. Ticket confirmation and/or voucher copy is required as receipt. Travel arrangements shall be booked online or by the least expensive method.

**IV. Airline and/or Hotel Travel Credits**

- A. Employees utilizing school district funds to pay for airline travel or hotel rooms are required to ensure that any credits or other benefits issued by any airline accrue to the benefit of the school district rather than the employee.

Bettendorf Community School District

Board Policy – Employee Travel Compensation Regulation

Bettendorf Community School District  
BOARD POLICY - 401.7R1 • EMPLOYEE TRAVEL COMPENSATION REGULATION

1. To the extent an airline or hotel will not honor a transfer or assignment of credit or benefit from the employee to the school district, the employee shall report receipt of the credit or benefit to the supervising administrator within 90 days of receipt of the credit or benefit.

Reports of the receipt of an airline or hotel credit or benefit shall be made in writing and shall include verification from the airline or hotel as to the credit or benefit received. Reimbursement for airline travel expenses will not be made until such documentation is provided.

- B. Employees who have existing credits or benefits issued by an airline or hotel based upon previously reimbursed school district business purposes will be required to utilize those or equivalent credits or benefits toward any subsequent airline travel or hotel stays related to school district purposes, prior to reimbursement for such travel, to the extent permitted and/or feasible.
- C. The requirements of this section apply to all airline travel and hotel stays regardless of where or how the tickets are purchased.

**V. Conflict of Interest**

A conflict of interest arises when a district employee is in a position to influence the business, research, or other decisions of the district in relationship to an outside organization in ways that could lead directly or indirectly to financial gain for the employee or the family of the employee, or give improper advantage to others to the detriment of the District.

Approved: Dec. 7, 2015

Reapproved:

Revised: