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NEWS RELEASE

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FOR RELEASE

December 6, 2018

Auditor of State Mary Mosiman today released a report on a special investigation of the Waukee Community School District (District) for the period July 1, 2013 through December 31, 2017. The special investigation was in response to Legislative and citizens' concerns regarding allegations of misconduct by the Chief Operating Officer (COO) of the District.

Mosiman reported the special investigation identified \$130,244.98 of improper disbursements and disbursements which were not in the best interest of taxpayers. The improper disbursements identified resulted from altered timecards and timecard errors.

The \$128,676.56 of costs identified which were not in the taxpayers' best interest include \$83,234.08 spent on retreats for the District's administrators, \$17,539.47 of purchases made with procurement cards, and \$27,903.01 for lounge chairs and furniture purchased for the Superintendent's office.

Mosiman also reported additional costs were incurred for the retreats attended by the District's administrators. However, as a result of the various methods in which costs associated with the retreats were processed, it was not possible to determine the total costs for each retreat. In addition, because only certain procurement cards were reviewed, additional disbursements which were not in the taxpayers' best interest may have been identified had additional procurement cards been selected.

This report includes recommendations to strengthen the District's internal controls and overall operations, such as improving segregation of duties, ensuring compliance with the Iowa gift law and Board policies, and ensuring the Board provides sufficient oversight regarding District operations.

The District has made some changes to its policies since fieldwork began and is in the process of making additional changes.

Copies of this report have been filed with the City of Waukee Police Department, the Division of Criminal Investigation, the Dallas County Attorney's Office, and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
WAUKEE COMMUNITY SCHOOL DISTRICT
FOR THE PERIOD
JULY 1, 2013 THROUGH DECEMBER 31, 2017**

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Auditor of State's Report

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

In response to Legislative and citizens' concerns regarding allegations of misconduct by the Chief Operating Officer (COO), we conducted a special investigation of the Waukee Community School District (District). We have applied certain tests and procedures to selected financial transactions of the District for the period July 1, 2013 through December 31, 2017, or other periods as specified. Based on discussions with District officials and personnel and a review of relevant information, we performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Interviewed District officials to gain an understanding of certain transactions, the District's policies and practices, and reporting structures. In addition, we interviewed other District employees and vendors to obtain explanations for certain events at the District.
- (3) Interviewed officials from other Districts similar in size to the District to compare policies and procedures.
- (4) Reviewed the District's Policy Manual to determine what policies and procedures were in place for areas in which we performed testing.
- (5) Scanned purchases made on the District's procurement cards to identify any unusual activity.
- (6) Examined bid documentation to ensure compliance with the District's purchasing policy and bidding requirements established by the *Code of Iowa*.
- (7) Examined the District's cell phone statements to identify any unusual activity and determine the propriety of cell phones assigned to District employees.
- (8) Examined purchases made on the District's fuel cards to identify any unusual activity.
- (9) Evaluated authorized salaries and salary increases for certain administrative positions and all District employees reporting to the COO to determine propriety.
- (10) Tested certain employee timecards to determine if they were properly approved and recorded in the payroll system.
- (11) Tested certain payments for employee travel to determine if amounts were supported and reasonable.
- (12) Scanned records related to employee use of District equipment and facilities for propriety and compliance with District policies. In addition, we scanned access card and key fob usage for propriety for the period May 1, 2016 through December 31, 2017.

- (13) Obtained and reviewed reports from Two Solutions, LLC and the Waukee Police Department to obtain an understanding of procedures performed related to certain actions taken by the District's COO.

These procedures identified \$130,244.98 of improper disbursements and disbursements which were not in the best interest of taxpayers. Additional costs were incurred for the retreats attended by the District's administrators. However, as a result of the various methods in which costs associated with the retreats were processed, it was not possible to determine the total costs for each retreat. In addition, because only certain procurement cards were reviewed, additional disbursements which were not in the taxpayers' best interest may have been identified had additional procurement cards been selected. Our detailed findings and recommendations are presented in the Investigative Summary and **Table 2** of this report.

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 financial statements of the Waukee Community School District, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Dallas County Attorney's Office, and the Attorney General's Office.

We would like to acknowledge the assistance extended to us by personnel of the Waukee Community School District and the Waukee Police Department during the course of our investigation.


MARY MOSIMAN, CPA
Auditor of State

November 19, 2018

Report on Special Investigation of the
Waukee Community School District

Investigative Summary

Background Information

The Waukee Community School District (District) serves approximately 10,500 students in Dallas County. The District is governed by a 7 member Board which meets the second and fourth Monday of each month.

The District is led by the Superintendent and the School Board (Board). As reported on the District's website, the Superintendent has described the responsibilities of the position as including: ensuring staff and students are provided optimal conditions for high levels of learning, monitoring enrollment, planning for additional facilities, and tending to the budget. In addition to the Superintendent, the District has established several key administrative positions, including 2 Associate Superintendents, a Chief Financial Officer (CFO), and a Chief Operating Officer (COO).

Dr. David Wilkerson began employment with the District in July 1994 as an Associate Superintendent. In December 2004, he became Superintendent and retired effective January 31, 2017. Cindi McDonald began employment with the District as Principal at Brookview Elementary in 2003 and held several positions until she left the District in 2007. She returned in 2011 to serve as an Associate Superintendent. Effective February 1, 2017, Ms. McDonald became Superintendent.

Lora Appenzeller-Miller taught in the District from 2000 to 2008 until her promotion to Business Services Director. She remained in this position until 2011 when she was promoted to CFO. She resigned from the District effective June 30, 2018. As CFO, Ms. Appenzeller-Miller was responsible for overseeing all financial aspects of the District.

Eric Rose began employment with the District as the Director of Operations in 2004. He was promoted to COO in 2011 and currently holds the same position. As the COO, Mr. Rose is responsible for oversight of the District's Operations Department. The Operations Department is responsible for maintaining all District grounds and facilities and overseeing all capital improvement and construction projects.

In November of 2015, the District's former Human Resources Director approached Dr. Wilkerson and stated he had concerns with Mr. Rose he wanted to discuss. Dr. Wilkerson was leaving for a trip, so it was agreed a discussion would be held after his return. However, no discussion occurred.

In March 2016, Dr. Wilkerson received information from the District's former Human Resources Director which contained allegations of misconduct by Mr. Rose. Specifically, the concerns involved:

- altered employee time records,
- school property used for personal purposes, and
- solicitation of donations for Mr. Rose's son's hockey team from District vendors.

Dr. Wilkerson reviewed the information and contacted the District's legal counsel. Based on advice from the District's legal counsel, Dr. Wilkerson and the Board authorized engaging a private investigative agency, Two Solutions, LLC, to investigate the concerns identified by the former Human Resources Director. The agency was engaged by the District's legal counsel in late March 2016.

Two Solutions, LLC conducted interviews with 15 District employees and reviewed correspondence related to the allegations to determine the propriety of the misconduct allegations. A report summarizing its findings was issued in August 2016. The report concluded Mr. Rose used school property and the services of District personnel for personal benefit, received an improper payment from a vendor of the District and he directed a subordinate to violate District policy by altering an employee's timecard.

Table 1 lists the employees interviewed by Two Solutions, LLC. The **Table** also includes the position each individual held at the time of the interview and his/her current employment status with the District.

Employee Name	Position	Current Employment Status
Dr. David Wilkerson	Superintendent	Retired effective 01/31/18
Lora Appenzeller-Miller	CFO	Resigned effective 06/30/18
Tim Bloom	Director of Business Services	Resigned effective 06/30/18
Sheryl Ball	Accounts Payable Specialist	No longer with the District
Terry Welker	Director of Human Resources	No longer with the District
Kirk Johnson	Principal, Waukee High School	Associate Superintendent
Mark Toland	Director of Technology	Director of Technology
Eric Rose	COO	COO
Amy Patters	Administrative Assistant	No longer with the District
Megan Brittain	Human Resources Analyst	No longer with the District
Keith Elmquist	Director of Operations	No longer with the District
Nick Bavas	Operations Manager	No longer with the District
Chris Irvin	Service Worker	Assistant Director of Operations
Matt Hansen	Warehouse Specialist	No longer with the District
Sandy Pugh	Central Receiving Specialist	Central Receiving Specialist

According to Board members we spoke with, the Board did not receive a copy of the report from Two Solutions, LLC. Instead, Dr. Wilkerson prepared a synopsis of the report and presented the significant findings to the Board. A copy or summary of the synopsis was not included in the Board minutes and was not available to us. As a result, we are unable to determine what information was provided to the Board.

As a result of the investigation performed by Two Solutions, LLC, the District ordered Mr. Rose to take 2 weeks of unpaid leave and pay \$2,000.00 to the Des Moines Capitals, a youth hockey league which had benefited from Mr. Rose obtaining payments from District vendors as a result of Mr. Rose's improper solicitations. The solicitations were made by Mr. Rose using his District email account.

After the release of the report from Two Solutions, LLC in August 2016, the Waukee Police Department began a criminal investigation regarding the potential misappropriation of funds and possible fraudulent activity involving Mr. Rose.

As part of this investigation, certain District employees were interviewed and documentation was reviewed to corroborate the allegations and Two Solutions, LLC's findings. In March 2017, the investigation by the Police Department concluded Mr. Rose committed illegal acts; however, according to the County Attorney, there was insufficient evidence to obtain a criminal conviction and no criminal charges were filed.

While the report from Two Solutions, LLC was issued in August 2016, it was not issued as a public document. It was provided to the District's legal counsel who shared it with Superintendent Wilkerson. As previously stated, Superintendent Wilkerson did not provide copies of the report to Board members, but provided a synopsis of the findings to them.

In late 2017, there were media reports regarding the concerns addressed by Two Solutions, LLC. The media reports also referred to certain Police Department records which were obtained as the result of a request filed in accordance with the Freedom of Information Act (FOIA). In addition to the media reports, the Office of Auditor of State received a request from Senator Charles Schneider and State Representative Rob Taylor, who serve the citizens in the District, that appropriate audit procedures be performed regarding the concerns identified in the media.

Section 11.6(7) of the *Code of Iowa* requires entities such as the District to "immediately notify the Auditor of State regarding any suspected embezzlement, theft, or other significant financial irregularities." The Office had not received any notifications from District officials, as required by the *Code*.

As a result of the media reports and the concerns voiced by the legislators, we performed the procedures detailed in the Auditor of State's report for the period July 1, 2013 through December 31, 2017, unless otherwise specified.

Detailed Findings

The procedures identified actions taken by the District's COO which did not comply with established District policies. The improper actions took place over a period of time and were not reported in a timely manner by employees who were aware of the violations. The improper actions taken by the COO include, but are not limited to:

- Solicitations for donations from District vendors using District email.
- Improper use of district equipment, vehicles, and facilities.
- Creation of an environment in which it was common knowledge the COO did not comply with District policies.

The procedures also identified a number of management decisions which were not in the taxpayers' best interest. Management decisions for which concerns were identified include, but are not limited to, the following:

- Improper use of District equipment.
- Unusually high payroll increases and altered timecards.
- District retreats.
- Employee travel reimbursements.
- Use of District procurement cards (P-cards).

We identified approximately \$1,568.42 of improper disbursements and \$128,676.56 of disbursements which were not in the best interest of taxpayers, including administrative retreats held outside of Iowa, meals purchased in the Des Moines metropolitan area, and excessive prices for lounge chairs and furniture in the Superintendent's office.

These disbursements are summarized in **Table 2** and a detailed explanation of each finding follows.

Table 2

Description	Table/Page Number	Improper Disbursements	Questionable Disbursements
Administrator retreats	Table 5	\$ -	83,234.08
Procurement card purchases	Page 24	-	17,539.47
Furniture/Schoolhouse Fund	Page 25	-	27,903.01
Altered timecards	Page 17	186.34	-
Timecard errors	Page 17	1,382.08	-
Total		\$ 1,568.42	128,676.56

CONCERNS IDENTIFIED

We performed procedures to determine the extent of concerns regarding items for which the District was facing public scrutiny and risk areas we identified during discussions with District staff. The procedures performed included, but were not limited to, examining District records, reviewing minutes of Board meetings, and interviewing District staff. Specifically, we conducted interviews with each individual listed in **Table 1** as well as others who may have been involved in certain District operations. During our interviews, District staff provided responses to our inquiries and, where appropriate, provided supporting documentation upon our request. However, during our interview with Mr. Rose, at the advice of his attorney, he declined to answer certain questions upon which the report issued by Two Solutions, LLC, drew conclusions. As a result, we relied on statements from Mr. Rose which were described in the report issued by Two Solutions, LLC.

Each finding identified during our testing is explained in detail in the following paragraphs.

Solicited Donations

Chapter 68B of the *Code of Iowa* prohibits officials and employees of governmental entities from receiving or soliciting gifts from a restricted donor. A restricted donor is defined in the law as a person or company who is or is seeking to be a party to a sale, purchase, lease, or other type of contract with the employer of the public employee. This policy is reiterated in the District's Activity Fund Manual and P-card Manual. The District also emphasizes that the consequences for violating the gift law are severe, stating a person who knowingly and intentionally violates the gift law may be punished in **ALL** of the following three ways:

- Both donor and recipient are guilty of a serious misdemeanor. Serious misdemeanors are punishable by up to one-year incarceration and a fine between \$250 and \$1,500, plus a 30% surcharge and court costs.
- The gift law specifically gives the public employer permission to fire the employee who takes a gift in violation of this law.
- Finally, violation of the gift law is a violation of the Board of Educational Examiners Code of Ethics. Therefore, a public employee who is also licensed by the Board of Educational Examiners could lose his or her license.

Board Policy #413.5 states, in part, "Employees' use of their position with the school district for financial gain shall be considered a conflict of interest ... and may subject employees to disciplinary action." In addition, Board Policy #413.9R also restricts personnel from certain situations. Specifically, part (d) of the policy states, "Shall not use institutional privileges for monetary private gain" and part (e) states, "Shall accept no gratuities, gifts, or favors that might impair or appear to impair professional judgment."

While these restrictions apply to all District employees, they are especially relevant to individuals who represent the District with the vendor community. As COO, Mr. Rose has decision-making authority regarding certain vendors with which the District conducts business.

During his interview with representatives of Two Solutions, LLC, Mr. Rose admitted to using his District email to communicate with District vendors when soliciting funds for his son's hockey team. During the interview, he confirmed he contacted at least 9 District vendors using his District email account. We observed copies of emails sent from Mr. Rose's District account to the 9 vendors and to an additional vendor not identified during the interview.

Some of the solicitations made by Mr. Rose related to advertising sold for the hockey programs and some related to the sale of holiday greenery. Each time Mr. Rose received funds for the hockey team, the amount collected (net of the cost of greenery sold) was applied to his family's hockey account and reduced the amount due to the hockey team for various fees assessed to each player. Because the vendors who provided funding to the hockey program received advertising or holiday greenery, the amounts paid to the hockey program are not considered donations; however, for each amount paid to the hockey program by the vendors, the "net proceeds" of the benefits were applied to costs which would otherwise have been paid by Mr. Rose and his family.

These actions violate Board Policy #413.17, Acceptable Telecommunications and Internet Use. Mr. Rose solicited and received funds for his son's hockey team from certain District vendors (restricted donors) which directly benefited him financially in the form of reduced fees paid to the hockey team for his son's participation. Based on our examination of documents we obtained from the Treasurer of the hockey team, the fees required for Mr. Rose's son to participate on his hockey team were reduced by \$1,777.92 for the 2015-2016 season as a result of the improper communications originating from Mr. Rose's District email.

Following the investigation performed by Two Solutions, LLC, the Board estimated Mr. Rose had received approximately \$2,000.00 as a result of solicitations he made using his District email account and instructed him to remit \$2,000.00 to the hockey team. We observed a letter from the hockey team's Treasurer which acknowledged a \$2,000.00 payment from Mr. and Mrs. Rose and the letter served as a receipt for their charitable donation. Because this amount was not applied to their son's hockey account, based on the statements provided to us by the hockey organization's Treasurer, and Mr. and Mrs. Rose did not receive any goods or services in return for the \$2,000.00 payment, the amount paid appears to meet the requirements of a tax-deductible charitable contribution. As a result, Mr. and/or Mrs. Rose may have received a benefit on their taxes which they would not have received if they had paid for the hockey participation fees themselves.

While all District employees are to comply with District policies, policies and laws prohibiting officials and employees from receiving or soliciting gifts from District vendors are especially relevant to individuals in positions such as Mr. Rose's. His actions of soliciting funds from District vendors may give the impression the vendor's on-going relationship with the District will be at risk if they do not comply with requests for funds.

We did not identify the improper use or undeposited collection of District funds during our examination of these transactions.

Gifts from District Vendors

In addition to solicitations from vendors, we spoke with certain vendors to determine if there were instances in which District employees did not properly comply with the Iowa Gift Law. With the exception of a representative of 1 vendor, the individuals we spoke with stated they had not provided anything of value to Mr. Rose or other District employees. Some described providing simple gifts to the District around the holidays, such as a tray of cookies or fruit; however, based on the manner in which these gift are handled, based on our discussions with District personnel, they would not violate the Gift Law.

However, a representative of a vendor we spoke with stated they often had lunch with Mr. Rose. The representative stated at the time of the lunches, he did not realize how the meals may be considered an improper practice for the District because purchasing meals for customers is a very common practice in their industry.

We were not able to determine the number of meals the vendor purchased on behalf of Mr. Rose or other District employees during their meetings, nor were we able to determine if there were other vendors who provided similar meals or other gifts to Mr. Rose.

As previously mentioned, the gift law policy is reiterated in the District's Activity Fund Manual and P-card Manual. The District also emphasizes that the consequences for violating the gift law are severe, stating a person who knowingly and intentionally violates the gift law may be punished in ALL of the three ways previously discussed.

During our discussions with Board members, they stated they were not aware of instances in which District employees received meals or gifts from vendors. As a result, the Board has not taken any action as described in the District's manuals regarding the gifts.

Improper Use of District Equipment

Board Policy #803.4 states, in part, "...all supplies and equipment purchased in the name of the District shall be delivered to the Central Receiving Warehouse." Article III, Section 31 of the Constitution of the State of Iowa states, in part, no public property shall be appropriated for private purposes.

During interviews with several District personnel and a review of the report from Two Solutions, LLC, we identified instances in which District equipment was used by Mr. Rose and other District employees. The instances are summarized in the following paragraphs.

District equipment used by Mr. Rose:

- Tables and Chairs - Board Policy #413.5 states, in part, "No employee may solicit other employees or students for personal or financial gain to the employee without the approval of the Superintendent." We were told during interviews Mr. Rose instructed employees to deliver tables and chairs to personal residences on several occasions. The employees also reported they were instructed to return to the residences to pick up the tables and chairs when the event was over and return them to District facilities. District vehicles were used to transport the items.

During Mr. Rose's interview with representatives of Two Solutions, LLC, he admitted directing employees to deliver tables and chairs to personal residences. He also stated he did not request permission to use them. However, even if permission had been granted, it would not have complied with District policy.

- Snow blowers - During interviews we held with Lora Appenzeller-Miller, the District's former CFO, and an employee who reported to Mr. Rose, the individuals reported they were aware Mr. Rose used District snow blowers at his personal residence and he used the District vehicle assigned to him to transport them to and from his residence. While the employee who reported to Mr. Rose may have feared retaliation if he reported the instance, it is not clear why the former CFO did not take appropriate action to resolve the situation of Mr. Rose using District equipment for his personal use. Instead, the situation was not reported at the time it occurred.

Mr. Rose admitted during his interview with representatives of Two Solutions, LLC he used District snow blowers on several occasions. Specifically, he reported he was having trouble with his personal snow blower in 2013, so he used a District snow blower on several

occasions. During the interview, Mr. Rose initially denied using District snow blowers on any other occasions. However, upon further questioning by Two Solutions, LLC representatives and discussion about an invoice showing a purchase of a snow blower in November 2014, Mr. Rose ultimately admitted to purchasing a snow blower with his District procurement card for Timberline Elementary, which did not open until the 2015/2016 school year. He admitted he took the snow blower to his home when he purchased it in 2014 where it remained until approximately January 2015.

According to the report from Two Solutions, LLC, Mr. Rose stated during the interview, “yes, I did buy it and use it, I wanted to try it out and see how well it worked.” When asked how long he kept it at home and used it, he initially advised “less than 30 days” and stated, “it was a better machine than mine.” However, when it was pointed out to him he would already know how it worked because the snow blower was the same model as the ones purchased for other schools, Mr. Rose stated, “I don’t know why, clearly it wasn’t mine” and “it was probably not a good decision.”

In addition to improperly using District equipment for his personal use, because Mr. Rose purchased the snow blower directly from the vender, the snow blower did not go through Central Receiving, as required by Board Policy.

- Generator – During the interview with representatives of Two Solutions, LLC, Mr. Rose reported he took a District generator home during the fall of 2015; however, he did not use the generator. He reported he showed it to his neighbor who was considering purchasing a generator. Mr. Rose stated he used the District vehicle assigned to him to transport the generator and he had it at his home for 2-3 days.

However, during our interview with a District employee who was aware Mr. Rose had taken the generator home, the employee reported it was not returned to the District for several months. The employee also reported Mr. Rose stated he had used the generator for tailgating at Iowa State University football games.

During their investigation, a Waukee Police Department officer met with Mr. Rose’s neighbor who confirmed Mr. Rose showed him a generator and he did not recall Mr. Rose using it. The neighbor also advised he purchased his own generator.

- Dehumidifier – During the interview with representatives of Two Solutions, LLC, Mr. Rose reported he took a District dehumidifier home for personal use during the summer of 2015. He reported he had moisture in his basement and his own dehumidifier wasn’t sufficient so he used a dehumidifier he obtained from the District’s Learning Center. He reported he had it at home 1-2 weeks.

During an interview we had with a former District employee who reported to Mr. Rose, he stated Mr. Rose asked him where to find the dehumidifier. According to documentation provided by the former employee, the dehumidifier was borrowed in May 2015 and not returned as of September 21, 2015. We were not able to determine the date the dehumidifier was returned.

- Floor fan – During the interview with representatives of Two Solutions, LLC, Mr. Rose reported he took a District floor fan home for personal use about 3 weeks before the interview, which was held in August 2016. He reported he used it after cleaning the carpet at his home. He also stated he obtained it from a District school building. He reported he had it at home 2 days.

During an interview Two Solutions, LLC had with a former District employee who reported to Mr. Rose, he provided a copy of a text message he received from Mr. Rose on May 17, 2016 asking where he could find a District fan to use at his personal residence. Another District employee we spoke with who reported to Mr. Rose also stated he was aware Mr. Rose used a District fan.

- Vehicle - As part of Mr. Rose's employment with the District, he was assigned a District vehicle to drive. Several employees interviewed stated they observed and had knowledge of Mr. Rose transporting non-District personnel in his District vehicle.

District equipment used by other employees:

- An employee reported using a District dehumidifier at his personal residence over a weekend after receiving permission from the former employee who Mr. Rose contacted to find a dehumidifier.
- A District employee reported using District tables and chairs at their personal residence, but transported them with a personal vehicle. He did not request or obtain permission from a supervisor to use the tables and chairs at his personal residence.
- A lawn sprayer owned by the District was used at a personal residence. The employee took the lawn sprayer home to perform minor repairs and used it prior to returning it to the District. The employee did not seek reimbursement for expenses he paid to repair the sprayer as "payment" for using the sprayer.
- A District employee reported using scaffolding belonging to the District to work on his roof.

During our testing, we also reviewed an email string of communications which occurred in July 2015 between Mr. Rose and a teacher who had requested to use District risers at a camp which would be attended by "students from Waukee with a few other students from surrounding schools." Mr. Rose replied to the request by stating the District would not provide risers for the function because "it violates both Board policy and Iowa Code." As a result, it is clear Mr. Rose understood existing restrictions in 2015 and while he did not comply with them, he restricted the use of District equipment for certain individuals.

Based on the findings listed previously, it is apparent it was not unusual for Mr. Rose and individuals working for him to use District equipment for personal purposes. In some cases, the District equipment used by Mr. Rose was located at his personal residence for an extended period of time. These actions created an environment where it was common knowledge Mr. Rose himself did not comply with District policies and did not require others reporting to him to comply with applicable policies. As a result, controls established by the District were circumvented.

Although there was minimal financial impact to the District, there was the potential for unnecessary wear and tear or the possibility of damage to District equipment while being used for personal purposes. In addition, personal use of public property is a violation of Article III, Section 31 of the Constitution of the State of Iowa. Because the COO violated District policy and the former CFO knew policy had been violated without taking action, a "culture" was established where this type of behavior or actions carried no consequences and sent a message there was no need to consistently enforce Board policies.

District Vehicles

The District both purchases and leases vehicles for District employees. In accordance with section 721.8 of the *Code of Iowa*, all publically owned motor vehicles shall bear at least 2 labels in a conspicuous place, one on each side of the vehicle.

All vehicles owned by the District have government license plates and are marked with the District's logo. If an employee is considered to be "on-call", the employee is allowed to drive their vehicle to their personal residence at night. However, during the period reviewed, the District had 3 leased vehicles marked with magnetic logos which could be easily removed. If District logos can be removed from the vehicle, this increases the risk of improper personal use of the vehicle and would not be in compliance with the *Code of Iowa*.

During our review of interviews conducted by Two Solutions, LLC, we determined an employee interviewed reported she lived in the proximity of Mr. Rose's residence. She also reported the leased District vehicle assigned to Mr. Rose was frequently parked in the driveway of his residence without the magnetic signs attached which identified it as a District vehicle.

When we spoke with Mr. Rose, he reported the leased vehicles had magnets to identify them as District vehicles, but they started to move away from the magnets in fiscal year 2018 because they are difficult to manage. He stated he removed the magnetic signs when he washed the vehicle or when it was sitting in his driveway. He also stated he was tired of keeping track of his, so magnetic signs are not used any longer on the vehicle assigned to him. However, he reported 2 leased vehicles are still used by the Director of Operations and the Athletic Director.

Each user of a District vehicle is given a fuel card with a user code. Certain information, including the user code, vehicle number and pump number, must be entered at the pump in order to fuel the vehicle. This information is programmed into the fueling software so only authorized individuals can use the gas cards. We reviewed gas card usage for reasonableness. However, because the District does not maintain mileage logs which document the destinations or uses of the vehicles, we are unable to determine the propriety of the fuel purchases.

Employees are allowed to clean District vehicles at car washes within the Des Moines metropolitan area; however, the District has not established a policy regarding how frequently a car wash should be used or where vehicles should be washed. There are 2 car washes used by the District. One is near District buildings and uses reloadable cards for payment. The other car wash is further from the District and more expensive. Employees pay for this car wash with their P-card. Because sufficient control procedures have not been established, we are unable to ensure each car wash paid for by the District is used to clean a District vehicle. The lack of controls may result in car washes for personal vehicles being paid for by the District.

We reviewed all P-card charges to car washes for reasonableness. With the exception of 2 instances, individual car wash charges ranged from \$27.99 to \$44.97 per instance. Based on the activity recorded on the P-card assigned to Mr. Rose, he visited car washes 18 times from January 20, 2015 to December 12, 2017. The total cost incurred for the 18 instances is \$612.05.

In addition, we identified 2 charges by other District employees for \$139.99 and \$169.99, respectively. The charges are related to vehicles assigned to the District's Groundskeeper and an employee in Operations. As a result, the charges are not related to vehicles used to transport students for activities, as District officials speculated may have been the case. Based on the amounts of the charges, it appears they are related to services for car detailing of their assigned District vehicle. The public purpose served for the purchase was not documented and an explanation was not provided on the receipt. Also, it is unclear why District officials would allow employees to obtain services from a more expensive car wash which is located further from the District.

Use of District Facilities

The District provides access cards or key fobs to all District employees. A specified level of access is given for each card so employees can only enter authorized facilities. We obtained a list of who has access cards and key fobs, along with the level of access for each card and key fob. Access levels given to employees appear reasonable based on employee job duties. However, during our testing, we determined employees in several departments, including teachers, IT, and operations, have multiple access cards or key fobs. It is unclear why an employee would need multiple access cards or key fobs because if additional access was needed for an employee, the access could be added to the current access card or key fob. If an employee has multiple access cards or key fobs, there is a control risk the access card or key fob could be used by someone other than the employee.

We also reviewed employee usage of access cards for the period May 1, 2016 to December 31, 2017 to determine if employees used access cards only for the authorized purposes. District personnel were unable to provide usage reports prior to May 2016. During the review of access card activity, we identified 2 access cards used by Mr. Rose were not included on the list of access cards provided to us by the District. In addition, 1 access card used by Mr. Rose was assigned to Seth Triplett, a District groundskeeper, per the list of access cards provided to us by the District. We identified Mr. Rose used the access card by reviewing the cardholder transaction history reports provided to us by the District.

The District does not have a policy regarding the use of access cards and key fobs, including personal use. Mr. Rose's access cards were frequently used at the District's hitting facility. While Mr. Rose's card was authorized to be used at the facility, there would not be a reason for him to access the facility at the times and for the number of times the card was used to gain access to the facility, unless there was a repair or other type of facility concern identified on the dates and at the times the access cards were used. The dates and times the access cards assigned to Mr. Rose were used are listed in **Exhibit A**.

As illustrated by the **Exhibit A**, the access cards assigned to Mr. Rose were used 35 times to enter the District's Hitting Facility between May 7, 2016 and July 4, 2016. However, the badges assigned to him were used only 12 times to enter the District's Hitting Facility from January 16, 2017 through September 28, 2017. Most of the times the facility was entered in 2016 were in the late afternoon, evenings, or weekends. We inquired whether there were any chronic mechanical issues with the facility in 2016 and learned there were none. However, District staff reported either Mr. Rose's son or the son of a friend participated on a baseball team in 2016. It was not clear who specifically may have been using the facility. During the interview with representatives of Two Solutions, LLC, Mr. Rose stated "he has given his access device to his son and wife to use and this would have been in 2015 and 2016." Mr. Rose stated "his wife was working the concession stand and she went to the wellness center." He did not specify when his son used the access device.

There were no significant mechanical issues with the facility. In addition, the facility was accessed many times outside Mr. Rose's typical working hours and it was accessed frequently during a time when the son of Mr. Rose or a friend of his was involved with a baseball team. As a result, it appears the facility was used for personal purposes. As stated previously, the District has not established a policy which prohibits the personal use of District equipment. The same principle applies to District buildings.

Payroll

Salary Increases – Employee salaries are reviewed annually and increases are approved by the Board. Supporting documentation is included in the Board members' packets to review prior to the meeting in the event questions arise prior to Board approval.

During our testing period, we determined the average salary increase for District Administrators was approximately 3%. However, several salary increases to certain District Administrators exceeded this average. Administrator salaries are not specifically approved in the minutes. A blank salary contract for administrators, which includes the Board President's electronic signature, along with a list of individuals and their new salary, is included in the Board members' packets to review prior to the meeting. The Board then votes to approve compensation increases as presented in the Board packets.

Table 3 lists 3 of the administrators' salaries and increases granted to them which were significantly higher than the District's average increases. No promotions were given to the administrators during the time period tested. According to District personnel we spoke with, comparability studies including Districts similar in size to Waukee CSD were done each year to evaluate District Administrators' salaries. We were provided a copy of the comparability studies

prepared by the District. The Districts included in the comparability studies were Ankeny, Johnston, Linn-Mar, West Des Moines, Urbandale, Southeast Polk, Indianola, Dallas Center-Grimes, Norwalk, Ballard, and Newton. **Table 3** also includes the salary range identified by the District during the comparability studies performed for each position which received a large pay increase.

Table 3

Title	Increase Effective for	Prior Salary	New Salary	Increase	Range identified in Study
Superintendent	FY15	\$ 196,736	207,515	5.48%	\$ 143,174 – 225,000
COO	FY18	132,354	140,000	5.78%	None reported [^]
Superintendent	FY18	190,000	200,000	5.26%	159,361 – 243,631

[^] - The Districts included in the comparability study did not employ a COO, but employed Directors of Operations and Supervisors of Buildings and Grounds. Each of these individuals earned less than \$100,000 in the study years, except 1 Supervisor of Buildings and Grounds who earned \$101,800 during fiscal year 2018.

As illustrated by the **Table**, the salary of the position after the increase was within the range of the salaries identified in the comparable study performed by the District. However, in addition to the large increases listed in **Table 3**, we identified several employees who received salaries outside of the range identified in the comparability study. While other Districts provide an insurance stipend to administrators, it is unknown if administrators are allowed to keep the excess stipend as part of their salary. As a result, the salary ranges in **Table 4** show a maximum salary with and without the insurance stipend. **Table 4** lists the positions which received salary amounts in excess of the range identified in the District’s comparability study.

Table 4

Title	Increase Effective for	Approved Salary	Salary, Plus Excess Stipend	Range identified in Study*
Associate Superintendent	FY16	146,968	-	126,810 – 139,338/150,188
COO	FY14	110,854	122,590	None reported [^]
COO	FY15	114,180	125,814	None reported [^]
COO	FY16	129,126	-	None reported [^]
COO	FY17	132,354	-	None reported [^]
Former CFO	FY14	123,675	136,093	70,000 – 129,188/140,833
Former CFO	FY15	127,385	139,719	73,454 – 133,619/145,744
Former CFO	FY16	141,585	-	103,500 – 138,523/145,744
Former CFO	FY17	145,125	-	117,500 – 143,025/145,744
Former CFO	FY18	149,478	-	121,000 – 148,716/159,816

[^] - The Districts included in the comparability study did not employ a COO, but employed Directors of Operations and Supervisors of Buildings and Grounds. Each of these individuals earned less than \$100,000 in the study years, except 1 Supervisor of Buildings and Grounds who earned \$101,800 during fiscal year 2018.

* - Maximum amount in range is shown with and without the insurance stipend provided by other Districts since it is unknown if other Districts allow administrators to keep the excess stipend as part of their salary.

As illustrated by **Table 4**, during fiscal years 2014 and 2015, administrators received a stipend in addition to their salary. Based on payroll records and discussions with District officials, annual stipends were provided to administrators in an amount equal to insurance premiums for family health and dental insurance. Administrators were required to participate in the District’s insurance plan, but were allowed to choose between single, employee and spouse, employee and child(ren), or family coverage. While each administrator received a stipend equal to the family health and dental insurance premiums, if an administrator elected insurance coverage other than

the family plan, the excess stipend amount was distributed to the administrator as part of their salary. The excess stipend received by administrators was not considered when the District compared administrators' salaries to those identified in the comparability study.

The District also provided health and dental insurance to teachers during the period reviewed. However, if a teacher chose not to accept District insurance, teachers did not receive any additional pay as the administrators did. According to a District official we spoke with, the practice of an insurance stipend for administrators but not teachers is common in other school districts.

According to District officials, a stipend was no longer provided to administrators beginning with fiscal year 2016. Instead, an amount similar to the stipend was added to the administrators' salaries. District officials also stated this change, along with several other changes, were made to make benefits more uniform across employee groups as a result of conversations spurred by the Affordable Care Act (ACA).

Also, as illustrated by **Tables 3** and **4**, other Districts did not have a COO position. As a result, comparability of Mr. Rose's salary as the COO was difficult to ascertain and the comparison did not provide a reliable method to evaluate Mr. Rose's salary. However, the comparability study included administrative positions titled Directors of Operations and Supervisors of Buildings and Grounds, for certain schools. The salaries for these positions were less than Mr. Rose's salary from Waukee.

In addition, the comparability study performed by the District did not consider years of service for the individuals holding the positions in other Districts. The number of years of service and an individual employee's years of experience can significantly impact their annual salary. However, this was not factored into the District's study. Because the comparability study was not District-wide, it served to benefit only the top administrators.

During the time these increases were granted, the District was cutting budgets in other areas. When budget cuts were being made, the public purpose surrounding these large pay increases without a promotion or significant increase in duties is not clear. In addition, concerns were publicly voiced regarding the salary increase Mr. Rose received in July 2017 effective for fiscal year 2018. The raise was granted by the Board in May 2017 which was within months of public disclosure of the investigation into Mr. Rose's actions. As reported in another section of this report, the District incurred certain costs related to the investigation. In addition, the District was the subject of several lawsuits filed by employees who previously reported to Mr. Rose. Each of these factors should have been considered by the Board prior to approving the 5.78% salary increase awarded in Mr. Rose.

During our interview with Superintendent McDonald, when asked about salary increases, she reported the District has a difficult time increasing salaries based on a lack of increases to funding provided to the District. She reported a 1% increase in funding with a 4% increase in salaries results in overspending. We reviewed the collective bargaining agreements in effect for fiscal year 2015 to fiscal year 2018 and teacher salaries increased from 3.90% to 4.34% each year. She also reported salary increases are given to teachers first within the District. However, this information is not consistent with the increases identified for District administrators.

We also reviewed salary increases for employees who reported to the COO for reasonableness. The average salary increase for these employees was approximately 3%. We did not identify any employees who reported to the COO who received salary increases in excess of this average.

Board approvals – At the April 23, 2018 Board meeting, blank salary contracts for the 2018-2019 school year were presented to the Board which already included the Board President's electronic signature, including Administrator contracts. In accordance with section 291.1 of the *Code of Iowa*, the President of the Board is to sign all contracts. A facsimile signature may be used only for use on payments drawn on the District whether by check or electronically. In addition,

supporting documentation included in the Board members' packets varied depending on which day the packet was provided to the Board member. Specifically, the packets provided on April 25, 2018 were 13 pages shorter than those provided on April 24, 2018 and did not include certain groups of employees. In addition, the packets provided on April 27, 2018 were 4 pages longer than the ones provided on April 24, 2018 and included handwritten revisions for certain individuals.

Because the supporting documentation was not consistent, it is not clear to taxpayers specifically what the Board approved. The Board minutes reflect an across-the-board percentage increase. However, the packets did not include both the existing and new salary levels which would document the salary increases were applied correctly. In addition, the increases did not contain a signature applied by a Board member. While a stamped or electronic signature may be an acceptable substitute, it should only be applied by the Board member whose signature it is and only applied after specific Board action which is clearly documented in the minutes.

Altered Timecards - Hourly employees prepare timecards for hours worked which are approved by the employee's supervisor. Salaried employees do not have a timecard. During the investigation by Two Solutions, LLC, District employees interviewed alleged Mr. Rose altered an employee's timecard to show an employee was at work when they were not. A District employee also brought similar concerns to the HR Director's attention prior to the start of the investigation performed by Two Solutions, LLC.

When we met with Mr. Rose, he would not answer questions we had regarding the altered timecards.

We reviewed documentation in the District's payroll system and determined an employee's timecard was altered by Mr. Rose or someone else with the ability to change timecards 4 times during the period reviewed. According to employees interviewed by Two Solutions, LLC and employees we spoke with, the changes to the timecards resulted for performing tasks assigned by Mr. Rose outside typical working hours, such as picking up District tables and chairs from personal residences and returning them to the District. According to District employees, the time spent performing these tasks were not recorded on the employee's timecards, but a comparable amount of time off was granted at a later time and the time off was not recorded on the employee's timecard for an overpayment of gross wages totaling \$186.34. The \$186.34 total is included in **Table 2** as improper disbursements.

According to employees interviewed, the supervisor who was ordered by Mr. Rose to alter an employee's timecard reported the incident to the HR Department who advised it was not legal to alter an employee's timecard to show the employee was working when in fact they were not. The supervisor reported they did as Mr. Rose instructed, but added a remark to the timecard that said "adjust as per Eric."

We reviewed timecards for other employees to determine if other employee timecards were altered. We did not observe alterations of other timecards. However, we did identify 5 instances where the hours worked per the payroll journal were higher than the hours worked per the timecard system. It appears these employees were overpaid based on the hours worked. We identified 3 instances in fiscal year 2015 and 2 instances in fiscal year 2016 for an overpayment of gross wages totaling \$1,382.08. The \$1,382.08 total is included in **Table 2** as improper disbursements.

As stated previously, because the COO violated District policy in a manner which was apparent to employees reporting to him, he established a "culture" where this type of behavior or actions carried no consequences and sent a message there was no need to consistently enforce Board policies.

Vacation payouts - When employees leave employment with the District, they receive a payment for unused vacation time, called a vacation payout. A vacation allotment is granted on July 1 of each year to each employee who has been with the District in excess of 1 year. The District does not have a written policy regarding vacation payouts. Currently, employees receive a full year's vacation payout regardless of what time of year the employee leaves. For example, if an employee received their annual vacation allotment July 1 and left employment with the District August 1, the employee would receive a vacation payout equal to their annual vacation allotment received July 1. The public purpose of receiving payment for vacation not earned is unclear. While we did not review all vacation payouts, we did not identify any vacation payouts that did not comply with District policy.

District Retreats

The District held an annual retreat for administrative staff to plan for the upcoming school year, review policy updates and focus on team building. Employees at the Director level and above were expected to attend, but attendance was not mandatory. The retreats were held in July in Kansas City for 2013 to 2016 and in Omaha for 2017 and paid for by the District.

Several District employees we spoke with voiced concerns regarding the location chosen for the retreats. Specifically, the employees questioned why the meetings needed to be held outside Iowa. When asked why the retreats were held outside Iowa, several District employees said it was so staff could get away from the day-to-day operations and focus on the District and its goals. By staying in Iowa, staff travel time could have been reduced and there are comparable facilities in the Des Moines area which could have met their needs.

Concerns were raised during interviews with District employees regarding excessive spending on the District retreats. Some employees arrived in Kansas City on Wednesday night and, although there were no required retreat events to attend Wednesday night, the District paid the lodging expense for the night. The remaining employees arrived in Kansas City on Thursday and attended the meeting portion of the retreat. Thursday night consisted of dinner and then free time at the Plaza. A short meeting was held Friday morning and employees returned home Friday afternoon.

Some employees carpooled to the retreat, but carpooling was not required. Because carpooling was not required, multiple employees were reimbursed for mileage to the retreat. The District's travel policy encourages double occupancy of hotel rooms when traveling for District business. However, during our interviews, several District employees stated attendees at the retreats each stayed in a separate room. During fieldwork, the former Director of Business Services provided a training document related to teacher travel which specified double occupancy was required. Also, according to a District employee we interviewed, excessive drinking often occurred at the retreats as "they (District employees) can't do this in Waukee because they are liable to run across parents. And this is the only time they can let their hair down."

Retreat agendas were not readily available for the period reviewed. However, the former Director of Business Services provided a copy of the agenda from July 2012. The agenda showed the retreat was for 3 days; however, only 2 days had an itinerary of topics discussed at the retreat. There was no agenda for day 1. Day 2 began at 8:30 a.m. and the final session for the day began at 2:00 p.m. Day 3 had a session from 8:30 a.m. to 10:00 a.m. Updates were then provided by Human Resources, the Business Office and Operations; however, no times were given for the length of these updates.

Some expenses for the retreats were paid for on procurement cards by various District employees. However, some employees received mileage reimbursement for driving their personal vehicle to the retreat and these payments did not run through the procurement card. Due to the various methods in which costs associated with the retreats were processed, we could not determine the exact amount of each retreat. The costs for the retreats which could be verified are summarized in **Table 5**.

Table 5

Retreat Location / Year	Lodging	Meals	Mileage*	Other	Total
Kansas City, July 2013	\$ 10,718.33	1,625.05	-	-	12,343.38
Kansas City, July 2014	13,878.64	1,527.06	-	-	15,405.70
Kansas City, July 2015	15,908.52	1,390.38	-	790.17	18,089.07
Kansas City, July 2016	16,481.44	2,231.42	447.52	29.13	19,189.51
Omaha, July 2017	10,917.90	6,512.77	133.75	642.00	18,206.42
Total	\$ 67,904.83	13,286.68	581.27	1,461.30	83,234.08

* - Not all mileage paid is included since employees submitted travel reimbursements at various times and the amounts paid were not easily identified.

The costs in the “Other” column of **Table 5** consist of the cost of activities at the retreats, including \$790.17 for Escape Rooms, \$642.00 for pedal pubs, and \$29.13 for taxi service. Had we reviewed procurement cards for additional District employees, we may have identified additional costs.

Team building activities existed at each retreat. These activities included the Pedal Pub in Omaha and Escape Rooms in Kansas City. From our review of supporting documentation and interviews with District personnel, we did not identify any alcohol consumed during the team building activities and alcohol was not paid for by the District.

According to interviews with District personnel, the 2017 retreat was held in Omaha so it would be less expensive than going to Kansas City. Also, fewer administrative staff attended the retreat. In addition, a retreat for 2018 was not held due to public scrutiny of prior retreats.

We interviewed officials at 6 other districts similar in size to Waukee CSD and asked how they handled retreats or conferences for administrative staff. Of these districts, 4 districts said administrator retreats were held on-site at the district or within the town the district was located and meals were provided if staff were required to work through a meal time. Retreats were held off-site if the budget allowed at 1 district, but the retreat would still be held near the town the district was located. Retreats alternated between on-site and off-site retreats at 1 district. If the retreat was off-site, it was always held in Iowa and the budget for the retreat was between \$4,000.00 and \$5,000.00.

Based on discussions with District personnel and review of supporting documentation for the retreats, the need to have an annual retreat for administrative staff appears reasonable. However, the need to hold the retreat out of state is unclear. The material covered at the retreat, based on a review of the agenda, does not justify the length or cost of retreats held in 2013 through 2017. Also, the amount spent on the retreats does not demonstrate the best use of taxpayer dollars. The \$83,234.08 total summarized in **Table 5** is included in **Table 2** as questionable disbursements.

Employee Travel

Employees periodically travel for trainings or conferences. While at the events, they pay certain expenses then seek reimbursement from the District. We reviewed 27 travel reimbursements for the period July 1, 2016 to December 31, 2017 to determine they were properly supported, approved, reasonable and met the test of public purpose. We identified 9 transactions for which documentation of approval prior to the payment was not available. We also identified 14 transactions where we could not identify how the payments were in the best interest of the taxpayers. Some of the transactions included:

- Mileage reimbursements for the Superintendent and an Associate Superintendent for 6 trips of .6 miles and 7 trips of .2 miles, respectively.

- Mileage reimbursements to the former CFO primarily for traveling to the local bank.
- Reimbursement to the Business Development Director for APEX for a lunch meeting with a company representative and another District employee.
- Meals for 2 Board members, the Superintendent, and the former CFO for a meeting at a local Perkins.

District policy states employees required to travel in their personal vehicle between District buildings may be reimbursed mileage. As noted above, we identified instances where trips of less than 1 mile were claimed for reimbursement. The necessity and reasonableness of reimbursing mileage for such trips is not clear and does not appear to be the best use of public funds.

In addition, we observed 6 transactions which had an error in the mileage reimbursement calculation, resulting in overpayments totaling \$46.76.

Procurement Cards

The District officially began the Procurement Card Program (P-Card) on July 1, 2012. According to the District's 2017-2018 P-Card Manual, "Use of P-Cards is a cost-effective way to reduce the administrative costs associated with making frequent and low dollar purchases. The purpose of the p-card program is to provide a cost effective purchasing tool to authorized district staff to efficiently and effectively expedite the purchasing process. P-cards will be made available to employees based upon need as determined by the appropriate district administrator."

The District's 2017-2018 P-Card Manual also states, "Due to the size of this program, it is essential that effective internal controls are in place to provide assurances to the Board of Education and the school community at large, that the Waukee CSD is managing a program of fiscal integrity at the highest level with emphasis on responsible stewardship of public funds. Effective administration of the p-card program is critical in maintaining a program of integrity. It is reliant on the responsible actions of all district staff..." In addition, the District emphasizes "It is incumbent upon all employees who wish to maintain their privilege of using the district p-card that they act as good stewards of public funds."

The procurement of all supplies, equipment, and services are to be initiated by the issuance of a purchase order signed by authorized staff. The District has identified acceptable uses, including, but not limited to:

- Office supplies,
- Professional/educational subscriptions,
- Educational supplies,
- Books,
- Instructional games and classroom activities,
- Professional education or training seminars,
- Maintenance supplies, repairs, and services purchased by Buildings and Grounds personnel,
- Travel-related expenditures, except fuel for personal vehicles, and
- Other instructional related supplies and materials.

The District also identified the following categories which constitute inappropriate use of an employee's P-Card:

- Personal use of a District P-Card to pay expenditures not specifically related to official school business is strictly prohibited. If such purchases are identified, the employee is

to reimburse the District prior to the statement due date. If the reimbursement is not made by that date, the amount is to be deducted from the employee's next pay check.

- District funds expended for private personal gain for which services of comparable value were not rendered to the District and not for legitimate public purposes.

According to the District's 2017-2018 P-Card Manual, "All funds received by the district are considered public funds and must be used to support the educational mission of the district. The best test to use when determining whether the expenditure is appropriate is called the "public scrutiny test." The test is simple and merely asks whether the tax-paying public would view the expenditure as necessary to support public education. **If you are already questioning whether the expenditure is appropriate, it may very well not be appropriate.**"

The Superintendent is responsible for ensuring the District P-Card is used for appropriate school business by District employees, and the Board is responsible for ensuring the Superintendent and any Board members use the District P-Card for appropriate school business to determine through its audit and approval process.

As a result of interviews conducted with various District employees and officials and based on a review of the District's P-Card statements for the period July 1, 2013 through December 31, 2017, we identified the following concerns:

- In accordance with the District's P-Card Manual, the District employee is to determine if it is appropriate to use the District's P-Card for each purchase. However, according to District representatives, District employees are encouraged to use their P-Cards as much as possible to increase the rebate received from the P-Card vendor. As a result, employees may purchase goods/services on the District P-Card rather than through the District's normal purchasing process whether it is reasonable to do so or not.
- The District's P-Card Manual specifies the user and the user's direct supervisor are responsible for appropriate use and oversight. However, the P-Card Manual does not address who is to review purchases made by upper management.
- As previously stated, all P-Card purchases are to be initiated through issuance of an authorized purchase order. However, during our interviews, several District employees stated purchase orders were often created after the purchase had been made in the Operations Department; or no purchase order was prepared. As a result, there is no way to determine if the purchase was properly approved prior to its occurrence.
- District policy requires all P-Card purchases be shipped to the District's Central Receiving. However, as previously stated, Mr. Rose purchased snow blowers directly from the vendor and transported them to his personal residence for use.
- As previously stated, the District's policy states use of the District's P-Card for private personal gain is a violation of public purpose. Mr. Rose's use of his District P-Card to purchase snow blowers for use at his personal residence does not comply with this policy.
- Although itemized receipts are required, if an employee does not have an itemized receipt, he/she can complete a "P-Card Missing Receipt Form" and the purchase is paid for by the District. As a result, the employee's direct supervisor does not have a way to verify the goods/services received. In addition, the District's P-Card Manual does not address further consequences for employees who routinely do not provide original receipts.

As previously stated, the District encourages the use of P-Cards to maximize the rebate received from the District's P-Card vendor. According to the District's former Director of Business Services, the District receives a 1% rebate on all purchases, which is applied for annually at the end of March. The former Director of Business Services tracked the monthly purchases on a spreadsheet in order to allocate the rebate received between the District's General and Nutrition

Funds. For the period reviewed, the rebates ranged from \$7,518.80 in fiscal year 2014 to \$25,722.89 in fiscal year 2016. Of that, the Nutrition Fund's allocation ranged from \$1,569.38 in fiscal year 2014 to \$3,111.73 in fiscal year 2017 based on that fund's percentage of total purchases. Because the remaining rebate was allocated to the General Fund, we are unable to determine what, specifically, the P-Card rebate funds were used for.

We identified 153 District employees who were issued a District P-Card during the period reviewed. Credit limits ranged from \$100 to \$800,000 based on the employee's position. Of the 153 employees identified, we determined the cumulative purchases for fiscal years 2014 through 2018 for 52 employees were significantly lower than the credit limit established for their District P-Card, as follows:

- \$1,000 credit limit – an employee with cumulative purchases of approximately \$264,
- \$2,500 credit limit – 2 employees with cumulative purchases of approximately \$473 and \$826, respectively,
- \$5,000 credit limit – 30 employees with cumulative purchases ranging from approximately \$25 to \$3,574,
- \$7,500 credit limit – 3 employees with cumulative purchases ranging from approximately \$1,242 to \$5,523,
- \$10,000 credit limit – 10 employees with cumulative purchases ranging from approximately \$124 to \$7,354,
- \$25,000 credit limit – an employee with cumulative purchases of approximately \$608,
- \$50,000 credit limit – 3 employees with cumulative purchases ranging from approximately \$10,326 to \$14,450,
- \$60,000 credit limit – an employee with cumulative purchases of approximately \$40,728, and
- \$100,000 credit limit – an employee with cumulative purchases of approximately \$60,772.

We obtained the P-Card statements for all users for the period July 1, 2013 through December 31, 2017 and scanned the statements for unusual vendors or for vendors which may not meet the test of public purpose. Based on our review, we identified numerous purchases at restaurants within the Des Moines metropolitan area, including:

- \$8,669.51 at Spaghetti Works,
- \$8,179.60 at Jethro's BBQ,
- \$6,364.74 at Perkins,
- \$6,041.77 at In the Bag,
- \$4,615.66 at Palmer's Deli,
- \$3,823.03 at Pizza Ranch,
- \$3,534.71 at Biaggi's,
- \$2,702.92 at Jason's Deli,
- \$2,611.68 at Echo's Cookies, and
- \$2,063.75 at Bravo.

While providing meals to employees attending a meeting required by their job duties and held during normal meal times may be acceptable and is allowed by District policy, we are unable to determine whether the meeting had to be held at the allotted time or whether the meeting was held at meal time for the purposes of dining during the meeting. For example, during our

interviews, we were told the Board's Finance Committee always met at Perkins for breakfast because it was a convenient time and we identified numerous purchases at Perkins for various Board Committee meetings. Although that may have been the best time to meet, it is unclear why the District provided a full meal rather than the individuals having breakfast at home prior to the meeting or limiting the expense to nominal items, such as coffee or juice. The District no longer purchases breakfast at Perkins for these meetings. According to the Superintendent, this practice ceased during 2018.

We also selected certain individual P-Cards and certain transactions to determine whether the purchase was for legitimate District operations, met the test of public purpose, and was supported by sufficient documentation. In addition to the expenses related to the administrative retreat discussed above, we identified the following purchases, totaling \$17,539.47, which may not meet the test of public purpose:

- \$14,954.57 for meals in the Des Moines metropolitan area, including Perkins, Spaghetti Works, Biaggi's, Jethro's Jambalaya, John and Nick's Steak & Prime Rib, and Mama Lacona's,
- \$2,095.46 of miscellaneous purchases from various vendors, including Escape Chambers, Classic Floral Designs, Zale's Jewelers, and Apple for a gift card, and
- \$489.44 for lodging in the Des Moines metropolitan area.

The \$17,539.47 total is included in **Table 2** as questionable disbursements.

We also identified several purchases of travel insurance ranging from \$22.10 to \$200. It is not clear how these purchases are in the best interest of the District. If the employee traveling is able to attend the scheduled event, the additional fee serves no purpose. Based on a review of the State's policy, if an employee cancels a trip without cause, the employee pays the cancellation fee. However, if the employer cancels the trip with cause or the trip is cancelled due to inclement weather, the State pays the cancellation fee. This is a more conservative approach because the fee is only incurred if the trip does not occur.

In addition, we identified \$916.93 for car washes on 2 P-Cards at Mister Car Wash, including the \$612.05 previously discussed. However, the District normally uses the Waukee Car Wash. We identified \$5,094.00 expended to reload VIP Wash Cards at the Waukee Car Wash. Sufficient records are not available to determine the vehicles for which the Wash Cards were used or who used the cards.

We also observed numerous individuals purchasing technology and/or various technology accessories, especially the District's Activities Director. It is unclear why these purchases are not processed through the District's IT Department. We also identified 21 transactions for which no supporting documentation or insufficient supporting documentation was available and 3 purchases which were shipped to the user's personal residence rather than Central Receiving, which does not comply with the District's policy.

Schoolhouse Fund

The District Schoolhouse Fund is used to record expenditures for capital improvements, capital projects, and other asset purchases. We scanned activity in the Schoolhouse Fund and identified the following:

- \$16,684.05 paid for furniture in the Superintendent's office,
- \$10,596.96 paid for 8 lounge chairs at \$1,324.62 each, and
- \$622.00 paid for an office chair ordered by the former CFO.

The \$27,903.01 total purchase price for these items appears excessive and may not meet the test of public purpose. This amount is included in **Table 2** as questionable disbursements.

Contract Bidding

We reviewed bid documentation of certain capital projects to ensure compliance with the District's purchasing policy and bidding requirements established by Chapter 26 of the *Code of Iowa*. The *Code* requires the District receive competitive quotes for public improvement projects and the project must be awarded to the contractor submitting the lowest bid. For the projects tested, the District was in compliance with the District's purchasing policy and bidding requirements established by Chapter 26 of the *Code of Iowa*.

Cell Phones/iPads

Cell phones are currently provided to 80 District employees. The District has established a policy regarding the use of District-issued cell phones, however, no policy exists regarding the disposal of cell phones or how frequently cell phones should be replaced. Board policy #413.17 states, in part "employees are to utilize district computers, networks, telecommunication devices and internet services for school-related purposes and performance of job duties and responsibilities. Incidental personal use is permitted, if such use does not interfere with such job duties and performance."

We obtained a list of all employees with a District-issued cell phone to determine if it is reasonable for the employees listed to have a District-issued cell phone. Cell phones are provided to the Athletic Director, CFO, Superintendent, Director of Business Services, COO, Operations staff, 1 custodian at each District building, IT staff, and building secretaries. The cell phones issued to building secretaries are to be used in the event of an emergency and are to remain in the building. Other individuals listed are often at multiple locations during the day and must be available for phone calls. As a result, the assignment of a cell phone for use as a part of normal job duties for these employees appears reasonable.

The types of cell phones used by the District are flip phones, which can only be used for phone calls and text messages, and smart phones, which have internet capabilities. Most of the smart phones used by the District are iPhones. We reviewed the type of phone assigned to each employee to determine if the type of phone assigned appeared reasonable. Most smart phones are assigned to Administrative staff in the Business Office and IT staff, which appears reasonable. However, 7 iPhones are assigned to custodians and 5 are assigned to other individuals in the Operations Department. Because these individuals need to be able to respond to calls, but don't have a need to access the internet as part of their routine job duties, it does not appear reasonable for additional expenses to be incurred for an iPhone for these individuals.

We also reviewed the frequency of when cell phones were replaced for certain employees. Most employees received a new cell phone after 2 years. We reviewed monthly cell phone statements and identified 2 instances where new equipment, which appeared to be cell phones, was purchased in a shorter time frame. We asked District personnel if these equipment purchases were cell phones and why they were replaced so quickly. We learned Superintendent McDonald received a new cell phone after 2 months and Mr. Rose received a new cell phone after 1 year. District personnel assumed the purchases were either for an iPad or for some reason and/or there was a need to upgrade at that time, but did not have record of why the purchase occurred.

The District pays \$10 per month for a hot spot on certain cell phones. According to District personnel, the employees with hot spots are on-call 24/7 and need internet access for work and are not always able to connect by other means. The hot spots are all on smartphones, which have the capability to be used as a hot spot without paying the hot spot fee. In addition, the District has unlimited data plans so there is not a concern overage charges would be incurred if the cell phone was used as a hot spot. Therefore, we cannot determine how payments for hot spots are the best use of taxpayer dollars.

We reviewed cell phone use for certain employees to determine whether the use followed District policy. Many employees use the phone for personal use; however, by scanning the call history of the monthly billing statements, no excessive personal calls were observed. All cell phones have unlimited talk, text, and data plans; therefore, additional costs would not be incurred by the District for excessive usage. Based on our interviews with District personnel and testing of payroll records, employees have an amount withheld from each paycheck for personal use (\$20 or \$30, depending on the employee), which is in compliance with IRS regulations.

However, during our testing of the use of the District-issued cell phones, we identified 2 instances where the cell phone billing statement for Mr. Rose's District-issued cell phone included excessive charges. The March 2016 billing statement showed an international travel plan was added to Mr. Rose's service plan for usage while traveling outside the United States. According to District personnel, Mr. Rose was expected to be available in case of emergencies or as situations arose that needed his attention. However, the international travel plan was not canceled until June 2, 2016. District personnel could not identify why the plan remained for 2 extra months, but speculate it was an oversight or there was some requirement the cell phone company needed it to be on for a period of time. In addition, there was an overage charge of \$225.00 on the March 2016 billing statement due to exceeding the allowable minutes on the international travel plan. The District paid for the overage fee. The public purpose of the District paying for an international travel plan for 2 additional months, as well as the District paying the overage fee, is unclear.

The cell phone billing statement for March 2018 services contained \$300.00 of charges for data usage while traveling outside the United States. After a request was made by the District's account staff, Mr. Rose reimbursed the District for \$240.00 of this charge. According to District staff we spoke with, the remaining \$60.00 resulted from Mr. Rose's communications with the District during the time he was away. Because Mr. Rose is familiar with the District's policies regarding the personal use of District equipment, he should have notified District accounting staff of the charges he incurred for the personal use of the cell phone assigned to him while he was traveling. The need for District accounting staff to request reimbursement for the personal charges demonstrates Mr. Rose's disregard for how District equipment is used.

District officials should consider cost savings that could be realized by the District by limiting the amount of minutes or data purchased for cell phones, increasing the monthly amount withheld from the employee's paycheck, and/or requiring employees to use a separate phone for their personal use. Alternatively, the District could provide a stipend for employees who purchased their own phone. It is not unusual for individuals to no longer have a phone at home and if the District cell phone is the only phone used, it is doubtful the \$20 or \$30 withheld from the employee's paycheck is sufficient to cover the value they are currently receiving for personal use.

In addition to cell phones, iPads are also used by many District employees in the Administration office. The District has established a policy regarding the use of District-issued iPads, however, no policy exists regarding the personal use or disposal of iPads. As a result, the District has not established proper controls over the personal use or disposition of District assets. Data plans are used on 4 iPads for the following employees: Superintendent McDonald, Nicole Lawrence, Keith Elmquist, and Mark Toland. In addition, a data plan is used on the iPad for the bus company contracted by the District.

We obtained a list of all employees with a District-issued iPad to determine reasonableness and propriety. Based on our testing, we did not identify any District employees who were improperly assigned an iPad. However, the bus company contracted by the District to transport students has a District-issued iPad to send late bus notifications to parents. While use of an iPad for this purpose appears reasonable, the District should not be responsible for providing the iPad to a contractor.

OTHER ADMINISTRATIVE ISSUES

Board Minutes

As previously discussed, it is not always clear what information is being approved by the Board when reading the Board minutes. Several versions of the supporting documentation for salary approvals at the April 23, 2018 Board meeting were attached to online Board minutes. In order to be more transparent, Board minutes should contain enough detail to allow taxpayers to understand the decisions made by the Board.

Internal Control Weaknesses

The District's Business Office processes most financial transactions in the District and includes the CFO, Director of Business Services, Accounts Receivable Specialists, Accounts Payable Specialists and Payroll Specialists. We reviewed the District's policies and procedures to determine propriety and identified situations in which employees are handling procedures which are not incompatible.

Cash – Start-up cash is provided by the Business Office to various individuals for District activities, such as athletic events and change for fundraisers. Individuals involved with the activities request start-up cash from a building secretary or the athletic director's secretary. The secretary provides the cash to the individual, receives the money collected at the end of the event, and prepares the deposit. No independent review of the cash collected and deposited is prepared.

Bank reconciliations – Monthly bank reconciliations are prepared by the Director of Business Services which balance the District's records to bank statement activity. However, there is no evidence of an independent review of the reconciliation. In addition, the District has multiple bank accounts and may transfer money between these accounts. However, dual authorization is not required for transfers between the bank accounts.

Inventory – Records are maintained by the District to properly account for and value inventory. Inventory records are maintained in a spreadsheet, but are only updated annually for financial reporting purposes. For a more accurate inventory value, inventory records should be updated when inventory is added or used. The individual in charge of inventory records also performs inventory counts, but there is no independent verification of these counts. A strong internal control system requires all inventory purchases be made by requisition or purchase order only to ensure proper purchasing procedures are followed. Employees are allowed to purchase inventory supplies on their P-card. As a result, purchases may be made without following the requisition or purchase order process.

Capital assets – Capital asset records are maintained to account for items with a value exceeding \$5,000. A comparison of actual capital assets to capital asset records is not periodically performed by an individual not responsible for maintaining capital asset records. In addition, 2 separate asset listings are maintained by the District but are not reconciled to ensure all capital assets are accounted for.

Vehicles – The District owns many vehicles. Some vehicles are assigned to District employees, while some are considered pool cars and available for use by all District employees. Mileage logs are not maintained to track where vehicles are driven and miles are not accounted for and reconciled to detailed records.

Purchases – Purchases are initiated by a purchase requisition at the building or department level. The purchase requisition is approved by the building principal and sent electronically to the Business Office. A purchase order (PO) number is assigned by Business Office staff and the CFO's signature is electronically added to the PO. The order is placed with the vendor and the order is received at the Central Receiving Warehouse. If the order received is correct, the payment is processed by the accounts payable staff and a check is sent to the vendor. The Board approves claims after payment has been made.

However, the same individual can process purchase orders, approve vouchers and disburse checks. Staff processing checks have access to P-cards. The electronic signature is applied to each check as it's prepared with no independent review. Board approval of expenditures is made after payment has been sent to the vendor. There is no evidence of review of supporting documentation for claims paid.

Timesheets – Employees prepare timesheets for hours worked and timesheets are approved by the employee's supervisor. However, employees do not review their own timesheets for accuracy prior to submission to a supervisor. After timesheets are approved and transmitted to the District's payroll system, payroll checks or electronic payments are issued to employees. The same individual can approve payroll input and prepare payroll checks. In addition, there is no independent approval of electronic payments for withholdings, such as federal taxes, state taxes, FICA and IPERS contributions.

Meals From the Heartland

The District periodically holds community service events which students may participate in. An event was held in June 2018 for Meals from the Heartland, an organization which works with local community school districts and other organizations to pack meals for hungry individuals in Iowa, across the United States and around the world. Organizations who host a packaging event must cover the cost of the event; however, Meals from the Heartland provides grants to help offset the expenses. To apply for a grant, an application must be completed and signed by a governing body member, such as a board member.

The District held a packaging event for Meals from the Heartland on June 7th-8th, 2018 and applied for a grant to offset expenses. However, the application was not presented to the Board for approval until June 11th, 2018. When the application was presented for Board approval with the Board agenda, the application document was missing pages and was not complete. In addition, the application was signed by the Board President, who also serves as the Executive Director of Meals from the Heartland, on May 31, 2018, which was before Board approval. Contracts should be approved prior to the occurrence of the event. In addition, anytime a Board member has an involvement with an organization the Board is making a decision regarding, the Board member should recuse herself/himself from the related discussions and votes.

Investigation Outcome and Costs

As previously stated, at the instruction of District officials, the District's legal counsel engaged the services of Two Solutions, LLC in March 2016 to investigate allegations regarding Mr. Rose's actions. The report regarding the investigation was provided to Superintendent Wilkerson in August 2016 and included the following summary:

- Use of School Property and School Vehicle for Personal Benefit is Sustained.
- Use of School District Personnel for Personal Benefit is Sustained.
- Receipt of an Improper Payment from a Vendor of the School District is Sustained.
- Additional allegations were Not Sustained.

Also as previously stated, Superintendent Wilkerson did not provide a complete copy of the report to the Board. Instead, he prepared a synopsis he shared with the Board. A copy of the synopsis was not available. As a result of the information provided to the Board, they determined appropriate consequences as a result of the findings were for Mr. Rose to take 2 weeks of unpaid leave and pay the hockey team his son participated on \$2,000.00 for the financial benefits he received as a result of contacts to District vendors through his District email account.

Mr. Rose issued a \$2,000.00 check to the hockey team in August 2016. In addition, he took a week of unpaid leave in September 2016 and the second week in December 2016. However, the Board authorized a 5.78% pay increase for Mr. Rose in May 2017.

The cost of the investigation performed by Two Solutions, LLC was \$11,000 and was paid by the District's attorney, who subsequently billed the District for the cost and an additional \$2,831 in legal fees related to the investigation.

Lawsuit Costs

The District has had several lawsuits filed against them. Of the lawsuits filed, 2 have been settled as of the date of this report and 1 is pending. The first settlement was in January 2018 with the former HR director, Terry Welker, for a total of \$993,120. The District incurred \$593,120 of direct costs related to Mr. Welker's attorney fees, compensatory damages, payroll and related FICA, an annuity, and the deductible. These costs were paid from the District's Management Fund. The remaining \$400,000 will be paid by the District's insurance carrier in set monthly payments from April 18, 2032 to March 18, 2052. These fees do not include any related costs for legal services associated with defending the District's position.

Lawsuit #1 – Mr. Welker was terminated from employment by the District effective June 30, 2017. According to Mr. Welker, an employee who reported to Mr. Rose spoke with him regarding concerns about being instructed to change an employee's timecard at Mr. Rose's direction. After speaking with Mr. Rose and his immediate supervisor about the concerns and not feeling it was resolved, he brought the matter to Superintendent Wilkerson's attention. He also brought concerns regarding Mr. Rose's personal use of District equipment and his soliciting District vendors to Superintendent Wilkerson's attention. According to Mr. Welker, when sufficient action was not taken by the Superintendent in a timely manner, he shared his concerns with the District's legal counsel. He also reported his concerns to the Waukee Police Department. As stated previously, the District's legal counsel subsequently hired Two Solutions, LLC to conduct an investigation which was ultimately shared with Superintendent Wilkerson.

As stated previously Mr. Welker reported he initially addressed his concerns with Mr. Rose's immediate supervisor, which was Associate Superintendent Cindi McDonald at the time. He also stated after speaking with Ms. McDonald, he was confronted by the former CFO regarding the matter and his job was threatened. Mr. Welker reported he began being excluded from communications and decisions typically handled by the HR Department and his reporting structure changed from reporting to Associate Superintendent McDonald to the CFO. It is highly unusual for an HR Department to report to the former CFO of a school district.

According to Mr. Welker, he was notified on May 24, 2017 his job was being eliminated as a result of budget cuts. A severance package was offered to Mr. Welker; however, it was less than his annual salary so the District would have saved money for the coming fiscal year. We have obtained budget information from the District and determined the HR Director position was not budgeted for in fiscal year 2018, but was added back in fiscal year 2019. However, the position is still vacant as of the date of this report.

Lawsuit #2 – The second settlement was in May 2018. It related to a lawsuit filed in June 2017 by former employee Nick Bavas against the District and Eric Rose. Mr. Bavas reported to Mr. Rose while he was employed by the District. The District's insurance carrier paid a total of \$175,000 for Mr. Bavas' settlement, including wages, compensatory damages, attorney's fees, and an annuity. The District paid an additional \$2,000 for the deductible amount. The annuity will be paid in monthly payments from January 15, 2019 to June 15, 2026.

From the time a concern was first identified through the time the most recent lawsuit was settled in May 2018, the District incurred \$7,722 in legal fees.

Audit Oversight

Based on statistical data collected by the Office of Auditor of State, audits performed for Districts of this size averaged between 400 and 459 hours per year between fiscal year 2014 and fiscal year 2017. However, the firm engaged to complete the District's audits for the last 4 years has averaged only 122 hours per year.

We reviewed the CPA firm's workpapers for the District and identified significant deficiencies which have been communicated to the CPA firm. Based on our review, for a District this size, we question if adequate oversight and accountability are being provided by their annual audits.

District Environment

Based on interviews of District personnel conducted by Two Solutions, LLC, the Waukee Police Department, and the Office of Auditor of State, it is apparent there was a certain degree of discord among the former CFO, COO, and the former HR Director as a result of actions attributable to Mr. Rose and the subsequent actions, or lack of actions, taken by the District's management and Board as a result of those actions.

We also identified a lack of communication and transparency existed between management and staff, which led to staff not being held accountable for their actions. Non-compliance with Board policies was ignored and tensions and a lack of trust built among key positions in upper management. Relationships between certain individuals in key positions affected the decision making and oversight of certain operational areas.

The lawsuits filed against the District are further evidence of the unfavorable environment and working conditions at the District. In addition, the findings for 2 of the lawsuits which did not favor the District are also indicative of the environment District employees worked within.

District administrators have the responsibility for ensuring an environment is created and maintained which allows for strong communication and efficient and effective operation of the District. The Board also has a responsibility for ensuring the same. Both administrators and Board members are responsible for setting the "tone at the top" and ensuring compliance with District policies. To have an awareness of lack of compliance with District policy and to do nothing about it, or deal with it in what is perceived to be a limited manner, does not allow administrators or Board members to carry out their fiduciary responsibilities in a proper manner. As fiduciaries of the District, Board members and administrators are entrusted with certain powers for the benefit of the students, families, and taxpayers of the District. As such, they are entrusted with the expectation they will set the right tone at the top and ensure District policies are adhered to.

A contributing factor of the discord identified at the District may be the frequently changing administrative structure of the District. For example, during our testing, we identified the following conditions:

- At July 1, 2013, the District had an Associate Superintendent of School Improvement, an Associate Superintendent of Human Resources, COO, and CFO who reported directly to the Superintendent.
- In accordance with a Board Policy effective May 23, 2014, the District had an Associate Superintendent of School Improvement, the COO, and CFO who reported directly to the Superintendent. According to the policy, the Director of Human Resources reported to the CFO. However, the District's fiscal year 2014 audit report shows the Director of Human Resources reports to the Associate Superintendent of School Improvement for the 2013/2014 year.

According to the former HR Director, he reported to the Superintendent until his third year of employment with the District, which was the 2014/2015 academic year, at which time he began reporting to Ms. McDonald who held the position of Associate Superintendent at the time. He reported he continued to work for Ms. McDonald until he reported concerns with actions taken by Mr. Rose; shortly after which he was instructed to begin reporting to the former CFO, Ms. Appenzeller-Miller.

- After the former HR Director pursued allegations regarding Mr. Rose's actions, HR personnel were excluded in the hiring, training, and creating new positions within the Operations department. Instead, these duties were handled by the COO. These are duties that are reasonable and expected of HR.
- As stated previously, the HR Director's position was eliminated effective June 30, 2017, after the completion of the Two Solutions investigation. According to the former HR Director, he was told on May 24, 2017 his position was eliminated from the budget which was to take effect July 1, 2017. We confirmed with District officials, the position was eliminated as a result of budget cuts for fiscal year 2018; however, the position was added back to the budget for fiscal year 2019. It is currently vacant.

As part of this investigation, we interviewed 6 other school districts in the state of Iowa that were a similar size to Waukee to and asked about who HR reports to and the role of the HR department. All districts stated HR reports to the Superintendent or Associate Superintendent, who reports to the Superintendent. In addition, all districts stated HR is involved in the hiring process and addressing disciplinary or personnel matters as needed.

During our interview with Superintendent Wilkerson, when asked if employees had brought concerns to him regarding tension among employees, he stated he knew Mr. Welker (the former HR Director), Mr. Rose (COO) and Ms. Appenzeller-Miller (the former CFO) did not get along, but he didn't know it had gotten as dysfunctional as it had. He also stated there were a lot of mistakes made on all sides and the mistakes go back to a lack of communication which impacted effectiveness of the District's leadership.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Waukeez Community School District to perform reconciliations and process receipts and disbursements. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Waukeez Community School District's internal controls.

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following internal control weaknesses were noted:
- Cash:
 - Start-up cash for student activities is controlled by 1 person from the initial request to deposit preparation with no independent counts or reconciliations.
 - Evidence of review of the bank reconciliation is not documented.
 - Dual authorization is not required for transfers between District bank accounts.
 - Inventories:
 - Independent verification of inventory records is not performed
 - Inventory balances are not maintained on a perpetual basis.
 - Inventory purchases are not made by requisition or purchase order only, purchases can be made on District P-cards.
 - Capital Assets:
 - A physical inventory is not taken periodically and reconciled to detailed capital asset records.
 - Detailed records of equipment are not maintained.
 - Mileage logs are not maintained and miles are not accounted for and reconciled to detailed records for District vehicles.
 - Expenditures:
 - The same individual can process purchase orders, approve vouchers, and disburse checks.
 - Staff processing checks have access to P-cards.
 - The electronic signature is applied to each check as it's prepared with no independent review.
 - Board approval of expenditures is made after payment has been sent to the vendor.
 - Evidence of review of supporting documentation for claims paid is not documented.
 - Payroll:
 - The same individual can approve payroll input and prepare payroll checks.
 - No independent approval of electronic payments for withholding amounts, such as federal taxes, state taxes, FICA and IPERS.

- Employees do not approve their own timesheets prior to submission to a Supervisor.

Recommendation – The Business Office and the Board should review current procedures to ensure proper segregation of duties or compensating controls, such as independent review of financial processes and transactions, are implemented.

- B. Solicitation of Donations – In accordance with Chapter 68B of the *Code of Iowa* (Iowa gift law) and District policies, officials and employees of governmental entities are prohibited from receiving or soliciting gifts from a restricted donor. Mr. Rose used his District email to communicate with vendors when soliciting donations for his son’s hockey team. In addition, Mr. Rose solicited and received donations for his son’s hockey team from certain District vendors (restricted donors) which directly benefited him financially in the form of reduced fees paid to the hockey team for his son’s participation.

Recommendation – The District should ensure the Iowa gift law and Board policies are adequately communicated and understood by all staff. Additional oversight should be performed to monitor compliance as best possible.

- C. Improper Use of District Equipment – Article III, Section 31 of the Constitution of the State of Iowa states, in part, no public property shall be appropriated for private purposes. Board Policy #413.5 states, in part, “No employee may solicit other employees or students for personal or financial gain to the employee without the approval of the Superintendent.” Board Policy #803.4 states, in part, “...all supplies and equipment purchased in the name of the District shall be delivered to the Central Receiving Warehouse.” The following issues were noted:

- Mr. Rose instructed employees on 3 occasions to deliver and pick up tables and chairs to personal residences. District vehicles were used to transport these items.
- Mr. Rose purchased a snow blower directly from the vendor using his P-card and used it at his personal residence prior to delivery to the applicable District building.
- District employees used other school equipment, including a dehumidifier, floor fan, generator, and a lawn sprayer, for personal purposes.

Recommendation – The District should ensure there is sufficient oversight and monitoring of Board policies for compliance. In addition, the District should ensure Board policies are adequately communicated and understood by all District employees. The policies should specify appropriate consequences of not complying with the established policy. In addition, when instances of non-compliance are identified, District officials should ensure the appropriate consequences are carried out.

- D. District Vehicles – In accordance with section 721.8 of the *Code of Iowa*, all publically owned motor vehicles shall bear at least 2 labels in a conspicuous place, one on each side of the vehicle. We determined magnetic signs with District logos were placed on 3 vehicles leased by the District which could be easily removed.

In addition, logs were not maintained for vehicles which summarized dates of use, number of miles drive, fuel purchased, and any other costs incurred, such as car washes.

Recommendation – The Board should ensure all District-owned vehicles have permanently affixed logos. The Board should also develop appropriate procedures which ensure compliance with section 721.8 of the *Code* for leased vehicles. In lieu of magnetic signs, the District should determine if some other form of non-permanent labeling, such as a small version of a vehicle wrap.

In addition, logs should be maintained for each vehicle. Fuel purchases and costs of car washes should periodically be compared to the logs to ensure propriety. The logs should also be periodically reviewed to ensure they are used only for authorized purposes.

- E. Notification – Section 11.6(7) of the *Code of Iowa* requires the Office of Auditor of State be notified by the CPA and the governmental subdivision immediately upon suspicion of embezzlement, theft, or other significant financial irregularities. When the former HR Director took his concerns regarding Mr. Rose to Superintendent Dave Wilkerson and the District’s attorney, a meeting was held to discuss the options for moving forward and resolving the issue. The decision was made to hire a private investigation team; however, no notice was provided to the State Auditor’s Office as required regarding the concerns identified.

Recommendation – The District should ensure if any suspected irregularities are identified in the future they are properly reported to the State Auditor’s Office as required by the *Code of Iowa*.

- F. Work Environment – Based on our discussion with various administrators, there was a certain degree of discord among the former CFO, COO, and the former HR Director prior to allegations arising.

In addition, there were several shifts in the District’s organizational structure with the HR Director reporting to the Superintendent, Associate Superintendent, and the CFO during the period reviewed. Due to the nature of the HR Director’s responsibilities, the position should report to the Board, Superintendent, or Associate Superintendent.

Several individuals stated there was extremely low morale within the Central Office stemming from lack of communication from management to staff and the regular practice of not including HR personnel in hiring, training, and creating new positions within the District.

Recommendation – The Board should ensure transparency and accountability are encouraged and all employees are held to the standards established through Board policy. If non-compliance is identified, appropriate consequences should be carried out. Upper management and the Board need to make decisions in the best interests of the District.

In addition, the HR Director should report to the Board, Superintendent, or Associate Superintendent to ensure propriety.

- G. Salary Approval – All employee salaries are reviewed annually and increases are approved by the Board. Supporting documentation is included in the Board members’ packets to review prior to the meeting in the event they have questions prior to Board approval. Blank contracts were presented which already included the Board President’s electronic signature, including Administrator contracts.

In accordance with section 291.1 of the *Code of Iowa*, the Board President is to sign all contracts. A facsimile signature may be used only for use on payments drawn on the District whether by check or electronically. In addition, supporting documentation included in the Board members’ packets varied depending on which day the packet was provided to the Board member.

Recommendation – The Board should ensure public transparency and accountability regarding approved salaries. In addition, the Board should review supporting documentation and ensure it is complete and accurate prior to approving salaries. Should this information be posted to the District’s website in the future, the Board

should ensure it is clear what is approved and ensure the accuracy of any public postings. Also, the Board should implement procedures to ensure all contracts required to be signed by the Board President are not signed using an electronic facsimile signature applied by a member of the Business Office.

- H. Special Event Application – The District held a charitable event June 7th-8th, 2018. The District completed an application to receive assistance for the cost of the event, which must be signed by a governing body of the District. An application was not presented for Board approval until June 11, 2018. In addition, the Board President, who is also the Executive Director of the charitable organization, signed the application May 31, 2018 before Board approval.

Recommendation – The Board should ensure all applications are reviewed and approved prior to signature by the Board President and the occurrence of the event.

- I. Payroll – Employee salaries are reviewed annually and increases are approved by the Board. The following issues were noted:

- Administrator salaries are not specifically approved in the minutes.
- Large salary increases were given to administrators and certain employees at a time the District was cutting budgets in other areas. In addition, some of the increases resulted in administrators receiving salaries in excess of the amount identified during comparable salary studies performed by the District.
- A written policy regarding vacation payouts does not exist.
- 5 instances were noted where the hours worked per the payroll journal were higher than the hours worked per the timecard system.

Recommendation – The District should approve salary increases for administrators in the minutes and ensure salary increases are applied consistently across all service contracts. In addition, policies should be established regarding vacation payouts. Payroll journals should be reviewed and compare to the timecard system reports to ensure hours worked agree.

- J. Cell phones/iPads – Cell phones and iPads are provided to District employees as part of their normal job duties. The following issues were noted regarding cell phones and iPads:

- No policy exists regarding the disposal of old or outdated cell phones and iPads. Also, no policy exists regarding the frequency in which cell phones should be replaced.
- The District provides and pays for an iPad for the bus company used to transport students.

Recommendation – Policies should be established regarding the disposal of old or outdated cellphones and iPads and the frequency in which cell phones should be replaced. The District should consider if cost savings would be achieved by limiting the amount of minutes or data purchased for cell phones, increasing the monthly amount withheld from the employee's paycheck, requiring employees to use a separate phone for their personal use, or providing employees a cell phone stipend rather than purchasing the cell phone.

- K. Use of District Facilities – Access cards or key fobs are provided to all District employees. A specified level of access is given for each card so employees can only enter authorized facilities. Several employees have multiple access cards. In addition, the District does not have a policy regarding the use of access cards and key fobs, including personal use. Mr. Rose accessed the hitting facility many times outside normal working hours, which appear to be for personal use.

Recommendation – Policies should be established regarding the use of access cards and key fobs, including personal use, and usage should be reviewed to ensure access cards are being used properly.

- L. Board Minutes – It is not always clear what information is being approved by the Board when reading the Board minutes. Several versions of the supporting documentation for salary approvals at the April 23, 2018 Board meeting were attached to online Board minutes.

Recommendation – In order to be more transparent, Board minutes should contain enough detail to allow taxpayers to understand the decisions made by the Board.

- M. Procurement Cards – The District uses procurement cards for purchases and has established procedures regarding acceptable use of procurement cards. The manual does not address the following items:

- Who is to review purchases made by upper management,
- The consequences for employees who routinely do not provide original receipts for P-card purchases, and
- When a review of credit limits should be performed to ensure the limits appear reasonable based on usage.

Recommendation – An independent review of all procurement card purchases should be performed to ensure all purchases are reasonable. In addition, the District should review credit limits of all procurement cards to ensure the limits appear reasonable.

- N. Questionable Disbursements – All disbursements should support how payments are a good use of taxpayer dollars. The following payments do not demonstrate a good use of public funds:

- Vacation payouts for unearned vacation.
- Data plan charges for smartphones provided to employees who do not need smartphones to perform their normal job duties.
- Payment of a hot spot for certain employee cell phones.
- Payment of an international travel plan for 2 months after the travel occurred. Also, payment of an overage charge on the international travel plan.
- Payment for car detailing and a more expensive car wash at a location further from the District.
- Excessive payments of office furniture for select District administrators.
- Mileage reimbursement for travel within the District.
- Meal payments for meetings at locations within the District.
- Out-of-state administrative retreats. Also, allowing employees to drive separate and claim mileage rather than requiring employees to carpool to the retreat.

Recommendation – The Board should consider the public purpose of all purchases and ensure all purchases are in the best interest of the District and not for the benefit of select District administrators or employees.

- O. Board Oversight – The Board has 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. Based on our observations and the procedures we performed, we determined the Board neglected to exercise proper fiduciary oversight regarding:

- personal use of District equipment,
- monitoring of travel and training expenses for District employees to ensure the use of funds was in the best interest of the District and met the requirements of public purpose, and
- implementation of policies to address all District operations and ensuring compliance with established District policies.

The lack of appropriate oversight and the failure to ensure implementation of adequate internal controls in these areas enabled a dysfunctional work environment with a lack of accountability and trust.

Recommendation – Oversight by the Board is essential and should be an ongoing effort by all members. In the future, the Board should exercise due care and require and review pertinent information and documentation prior to making decisions affecting the District. In addition, appropriate policies and procedures should be adopted, implemented, and monitored to ensure compliance with established policies and procedures and to ensure all disbursements meet the test of public purpose. If public purpose is not clear, the Board should document the public benefit through a District policy or through its approval as documented in the Board meeting minutes.

Exhibit

Exhibit A

Report on Special Investigation of the
Waukee Community School District

Times Eric Rose's Access Card was Used at District's Hitting Facility
For the period July 1, 2011 through June 30, 2017

Date	Day of the Week	Time	Badge Number	Facility Accessed
05/07/16	Saturday	08:19:13AM	1013	Hitting Facility Doors
05/11/16	Wednesday	07:22:01PM	1013	Hitting Facility Doors
05/11/16	Wednesday	07:30:05PM	1013	Hitting Facility Doors
05/18/16	Wednesday	07:29:32PM	1013	Hitting Facility Doors
05/18/16	Wednesday	07:30:55PM	1013	Hitting Facility Doors
05/18/16	Wednesday	07:31:02PM	1013	Hitting Facility Doors
05/18/16	Wednesday	07:31:09PM	1013	Hitting Facility Doors
05/29/16	Sunday	04:40:47PM	1013	Hitting Facility Doors
05/31/16	Tuesday	08:53:55PM	1013	Hitting Facility Doors
06/02/16	Thursday	06:17:33PM	1013	Hitting Facility Doors
06/05/16	Sunday	12:04:27PM	1013	Hitting Facility Doors
06/05/16	Sunday	01:18:54PM	1013	Hitting Facility Doors
06/05/16	Sunday	02:28:17PM	1013	Hitting Facility Doors
06/09/16	Thursday	06:47:19PM	1053	Hitting Facility Doors
06/12/16	Sunday	02:24:42PM	1053	Hitting Facility Doors
06/16/16	Thursday	04:56:23PM	1013	Hitting Facility Doors
06/19/16	Sunday	03:09:03PM	1013	Hitting Facility Doors
06/19/16	Sunday	03:09:07PM	1013	Hitting Facility Doors
06/19/16	Sunday	03:09:10PM	1013	Hitting Facility Doors
06/20/16	Monday	07:01:22PM	1013	Hitting Facility Doors
06/20/16	Monday	08:17:47PM	1053	Hitting Facility Doors
06/21/16	Tuesday	05:28:20PM	1013	Hitting Facility Doors
06/21/16	Tuesday	06:43:13PM	1013	Hitting Facility Doors
06/23/16	Thursday	06:25:17PM	1013	Hitting Facility Doors
06/24/16	Friday	05:13:13PM	1013	Hitting Facility Doors

Report on Special Investigation of the
Waukee Community School DistrictTimes Eric Rose's Access Card was Used at District's Hitting Facility
For the period July 1, 2011 through June 30, 2017

Date	Day of the Week	Time	Badge Number	Facility Accessed
06/24/16	Friday	05:13:18PM	1013	Hitting Facility Doors
06/24/16	Friday	05:13:23PM	1013	Hitting Facility Doors
06/25/16	Saturday	09:32:39AM	1013	Hitting Facility Doors
06/26/16	Sunday	04:10:46PM	1013	Hitting Facility Doors
06/28/16	Tuesday	05:27:02PM	1013	Hitting Facility Doors
06/29/16	Wednesday	07:19:31PM	1013	Hitting Facility Doors
06/30/16	Thursday	07:32:21PM	1013	Hitting Facility Doors
07/02/16	Saturday	12:03:56PM	1013	Hitting Facility Doors
07/03/16	Sunday	03:09:29PM	1013	Hitting Facility Doors
07/04/16	Monday	12:48:40PM	1013	Hitting Facility Doors
01/16/17	Monday	12:41:37PM	1048	Hitting Facility Doors
01/16/17	Monday	12:43:15PM	1048	Hitting Facility Doors
05/09/17	Tuesday	02:35:10PM	1048	Hitting Facility Doors
05/12/17	Friday	02:24:55PM	1048	Hitting Facility Doors
05/18/17	Thursday	11:12:08AM	1048	Hitting Facility Doors
05/23/17	Tuesday	02:20:42PM	1048	Hitting Facility Doors
06/30/17	Friday	06:41:42PM	1032	Hitting Facility Doors
08/03/17	Thursday	04:38:53PM	1032	Hitting Facility Doors
08/03/17	Thursday	06:54:35PM	1032	Hitting Facility Doors
08/03/17	Thursday	06:54:40PM	1032	Hitting Facility Doors
08/25/17	Friday	10:16:37AM	1053	Hitting Facility Doors
09/28/17	Thursday	04:14:22PM	1048	Hitting Facility Doors

Report on Special Investigation of the
Waukee Community School District

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
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Jennifer L. Wall, CPA, Manager
Alex W. Case, Senior Auditor
Marcus B. Johnson, Senior Auditor
Sarah J. Swisher, Senior Auditor
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Ian N. Judson, Staff Auditor
Heather M. Poula, Assistant Auditor
Erin M. Wittrock, Assistant Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State