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Rob Sand
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NEWS RELEASE

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FOR RELEASE

March 13, 2019

Auditor of State Rob Sand today released a reaudit report on the Cardinal Community School District (District) for the period July 1, 2014 through June 30, 2017. The reaudit was performed at the request of petitioners pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*. The petition submitted to the Office of Auditor of State requested a reaudit of the year ended June 30, 2017. However, based on the nature of the concerns presented, the reaudit also covered items applicable to the years ended June 30, 2015 and June 30, 2016.

The reaudit was requested due to concerns regarding District operations, including certain salary/wage increases and the related approval process.

Sand recommended all employment contracts for personnel not covered under a master contract be reviewed and approved by the Board and the review and approval be documented in the Board meeting minutes. In addition, the Board meeting minutes should document the basis for any individual increases which differ from the increase approved by a master contract. Sand also recommended the Board establish a policy addressing the payout, if any, of unused vacation and personal days when an employee not covered under a master contract separates from employment at the District.

The District responded favorably to the recommendations included in the reaudit report.

A copy of the reaudit report is available for review on the Auditor of State's website at <https://auditor.iowa.gov/reports/audit-reports/>.

CARDINAL COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2017

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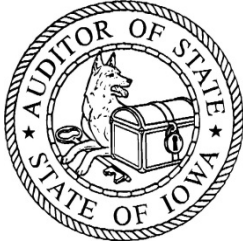
**Cardinal CSD
Officials – Fiscal Year 2019**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tim Albert	President	2021
Carol Streeby	Vice President	2019
Alan Campbell	Board Member	(Resigned Jul 2018)
Roger Davis	Board Member	2019
Tom Drish (Appointed)	Board Member	2019
Andy Noe	Board Member	2021
School Officials		
Joel Pedersen	Superintendent	2022
Sherry Van Blaricom	District Secretary	2020
Robin Leonard	Business Manager	2020
Ahlers & Cooney	Attorney	Indefinite

Officials – Fiscal Year 2017

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mike Kayser	President	2017
Carol Streeby	Vice President	2019
Bill Steele	Board Member	2017
Alan Campbell	Board Member	2019
Roger Davis	Board Member	2019
School Officials		
Joel Pedersen	Superintendent	2020
Sherry Van Blairsom	District Secretary	2018
Robin Leonard	Business Manager	2018
Ahlers & Cooney	Attorney	Indefinite

Cardinal Community School District



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Rob Sand
Auditor of State

Auditor of State's Report on Reaudit

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

We received a request to perform a reaudit of the Cardinal Community School District (District) in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2017 and the workpapers prepared by the District's Certified Public Accounting firm to determine whether the CPA firm addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the District. Based on this review and our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the District for the period July 1, 2014 through June 30, 2017.

Based on a review of relevant information and discussions with District officials and personnel, we performed the following procedures:

1. Obtained and reviewed certain Board policies to determine whether they were sufficient and whether certain District transactions were in compliance with the Board policies.
2. Obtained and reviewed certain employment contracts for proper approval and compared contract amounts to actual payments made during the year to ensure accuracy.
3. Reviewed selected salary increases to determine whether they were approved by the Board, whether the contract amounts were listed in the Board meeting minutes, and whether the meeting minutes included discussions, if any, related to the increases.

Based on the performance of these procedures, we identified inadequate documentation of approval of contracts and discussions of salary increases in the Board meeting minutes and lack of District policies related to balances paid out upon separation and have developed various recommendations for the District. The inadequate documentation of approvals and discussions in the Board meeting minutes and lack of written District policies and our recommendations are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not identified during the performance of the specific procedures listed above.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the District, additional matters might have come to our attention that would have been reported to you.

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

ROB SAND
Auditor of State

February 25, 2019

Cardinal Community School District

Cardinal Community School District

July 1, 2014 through June 30, 2017

Background Information

We received a citizen's petition to conduct a reaudit of the Cardinal Community School District for fiscal year 2017. The request detailed specific concerns, including the District's policy for determining salary increases and the related approval process.

As a result of the request, we performed a review of the District's audit report and workpapers prepared by the District's independent auditors to determine whether a complete or partial reaudit of the District should be performed. As a result of this review, we determined it was necessary to perform reaudit procedures for the concerns presented for the period July 1, 2014 through June 30, 2017.

The District has 2 master employment contracts in place each year. The first contract is for the Cardinal Education Association (CEA), which includes anyone regularly employed by the District as a full or part-time teacher, librarian, guidance counselor, ESEA teacher, nurse, learning disabilities teacher, special education teacher, and anyone who holds a current valid certificate from the State of Iowa for any of these positions. These positions are paid in accordance with the Salary Schedule included in the contract. Certain employees excluded from the CEA contract are covered under the Cardinal Support Personnel Association (CSPA) contract. According to the salary/wage schedule of the contract, job classifications included under the CSPA contract are bus drivers, bus mechanics, para-certified aides, non-certified aides, cooks, custodians, and building secretaries. These personnel are paid in accordance with the CSPA salary/wage schedule.

There are certain positions which are exempt from either of the above contracts, including Principals, the Curriculum Director, the Technology Director, the Transportation Director, the Business Manager, the Superintendent, the Director of Maintenance and Operations, the Food Service Director, the Board Secretary and the School Administration Manager. These exempt positions were reviewed during the reaudit procedures.

The CEA and CSPA master contracts also include policies for earning vacation, sick leave, and personal days, including payout for any unused personal days remaining at the end of the year.

Except as included in this report, no additional findings were identified related to the specific concerns presented with the reaudit request. While the reaudit procedures performed addressed the concerns presented, additional procedures were not performed during our fieldwork for the reaudit. Had we performed additional procedures, additional matters might have been identified and included in this report.

Detailed Findings

(A) Approval of Employment Contracts – The employment contracts for all personnel exempt from a master contract are approved by the Board at the Board meetings, and the contracts are signed by the employee and a Board member. We tested all exempt personnel for proper approval and documentation of such approval in the Board meeting minutes for the period specified. As a result, we identified the following concerns:

- 8 contracts were reviewed and approved for fiscal year 2015 as documented in the Board meeting minutes. However, the individuals' approved salary was not documented in the Board meeting minutes for 2 of the contracts.

- 9 contracts were reviewed for fiscal year 2016. There was no evidence in the Board meeting minutes for approval of 1 contract, which was signed by the Board President.
- 10 contracts were reviewed and approved for fiscal year 2017 as documented in the Board meeting minutes. However, the individuals' approved salary was not documented in the Board meeting minutes for 8 of the 10 contracts. In fiscal year 2017, the District began using a private website accessible by School Board members to provide additional materials and details pertinent to Board meetings. The approved salary for 7 of the 8 contracts identified was found on the private website accessible by the Board. This private website is not part of the official minutes so is not available to the public and should not be considered as documentation for actions taken.

Recommendation – Employment contracts for personnel not covered under a master contract should be received and approved by the Board and the Board meeting minutes should document the approval of each employment contract and include sufficient detail to identify the employee and the approved salary.

Response – We will submit a list of all exempt staff (not covered under a master contract) to the Board each year. We will provide the current salary, proposed increase, and new salary. This list will then be published in the Ottumwa Courier with the rest of meeting minutes.

Conclusion – Response accepted.

(B) Salary Increases – The 2 master contracts are negotiated each year and include the percentage of salary/wage increases for those covered under the contract. It has been the District's practice to award the exempt administrative personnel the same percentage increase, unless otherwise documented. The following salary increases were identified for those with existing individual employment contracts:

- For fiscal year 2015, 4 of the 7 individuals received salary increases greater than the master contract increase of 4.09% and 1 received a raise which was less than 4.09%.
- For fiscal year 2016, 3 of the 8 individuals received salary increases greater than the master contract increase of 4.21%.
- For fiscal year 2017, 2 of the 9 individuals received salary increases greater than the master contract increase of 4.21%.

For all of the instances identified above, District personnel provided explanations; however, the discussions by the Board and rationale for the increase were not included in the Board meeting minutes.

Recommendation – If the Board approves a salary increase which differs from either of the 2 master contracts, the Board meeting minutes should document any discussions held regarding the basis of the approved salary. The approved salary and related increase, if any, should be voted on in open session and the results of the vote should be included in the Board meeting minutes.

Response – Due to changing our salary schedule for certified staff, we have moved to a flat per person amount for a raise instead of a percentage. The exempt staff will not follow this practice nor will the classified staff. An initial discussion will be held this year to make this clear to the Board. Discussions regarding this will be documented in the meeting minutes. If any individual exempt contract differs from the proposed increase, discussions regarding this difference will also be documented.

Conclusion – Response accepted.

- (C) Separation Payouts – During our reaudit fieldwork, we identified an employee not covered by either of the 2 master contracts who resigned and was paid for unused vacation and personal days. The District does not have a written policy addressing payout of unused vacation and/or personal days for exempt personnel. However, an attachment to the employee’s contract provided for the payout of unused vacation and personal days. This attachment stated 2 personal days were earned annually and, at the end of the school year, the employee was to be paid 50% of their regular rate of pay for each unused personal day. This provision was not followed.

At the end of the 2017 school year, the employee had 2 unused personal days which were not paid out, but allowed to be carried over. For the 2018 school year, 2 additional personal days were earned and 1.5 personal days were used; so, at the time of resignation, the employee had 2.5 unused personal days. Those 2.5 personal days were paid at the employee’s full regular rate of pay, rather than 50% as specified in the contract attachment, resulting in an overpayment of \$359.74.

Recommendation – The Board should establish a formal written policy addressing the payout, if any, of unused vacation and personal days for employees not covered under a master contract upon their separation from the District. If a formal written policy is not approved, the District should ensure all contracts for exempt personnel include sufficient detail and any contract provisions included are complied with. The District should consult legal counsel on the disposition of the overpayment.

Response – We have received several examples of Board policies regarding payouts of leave balances upon separation. We will be reviewing the policies and adapting them to meet our needs. We will document the readings/approvals of the new policies in the Board meeting minutes.

Conclusion – Response accepted.

Cardinal Community School District

Staff

This reaudit was performed by:

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

A handwritten signature in black ink that reads "Annette K. Campbell". The signature is written in a cursive style with a large, looped initial "A".

Annette K. Campbell, CPA
Deputy Auditor of State