



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

November 9, 2021

Carrie Ballinger, Superintendent
Rockcastle County School District
245 Richmond Street
Mt. Vernon, KY 40456
Via Email: carrie.ballinger@rockcastle.kyschools.us

RE: Summary of Review Results

Dear Superintendent Ballinger:

The Auditor of Public Accounts (APA) has completed a limited-scope special examination of the Rockcastle County School District (District). This special examination was initiated after our office received concerns regarding certain financial activity of the District. The purpose of this special examination was not to provide an opinion on the financial statements, but to review specific matters brought to our attention and make recommendations to ensure the District's operating activities are consistent, transparent, and follow state laws and District policies.

To address the concerns expressed, the APA reviewed certain information related to the District, including: District policies and procedures, District Board meeting minutes along with approved Salary Schedules for the fiscal years 2017 through 2021, select vendor invoices and payments, as well as MUNIS reports and various State regulations. Unless otherwise indicated, the examination period of this engagement was July 1, 2015 to May 21, 2021.

Findings

Two findings emerged from the examination and are presented in this letter, along with corresponding recommendations. Due to concern indicating a potential conflict of interest, matters addressed in this letter will be referred to the Educational Professional Standards Board (EPSB) and the Office of Education Accountability (OEA) for further consideration.

Finding 1: A lack of sufficient oversight allowed five District positions to be compensated beyond the Board approved salary schedules between July 1, 2016 and December 8, 2020.

On July 8, 2016, the former Rockcastle County Schools Superintendent issued four letters to select personnel awarding them nine additional extended days beyond the 55 extended days already

included in the approved salary schedule “[d]ue to the increase in assignments and additional job expectations.” An extended day is the number of days an employee is set to work beyond the minimum number of days of employment in a school year. By his action, the former Superintendent independently compensated the Director of Transportation, Director of Student Services, Director of Instruction, and Director of Finance, beyond what was approved for these positions by the Board for the 2016-2017 school year. By state law, KRS 160.290, it is the school board’s responsibility to determine the compensation and benefits of school employees. While these four director-level positions continued to receive the nine additional days subsequent to the 2016-2017 school year, the salary schedules presented to, and approved by, the district board for fiscal year 2018, 2019, 2020, and 2021 did not reflect these additional days. As such, individuals filling these four director-level positions were never compensated consistent with the approved salary schedule in place between July 1, 2016 and December 8, 2020.

Additionally, when a Director of Special Education position was created in July 2020, the Board revised the District’s salary schedule to include this position and award the position 55 extended days. However, the District again established this position to receive 64 extended days despite the Board’s approved salary schedule. The current Superintendent stated that she was not aware of the additional extended days awarded to these five positions at the time and that the individual who had filled the position of Director of Instruction was previously performing the additional duties of a Director of Special Education. When the duties of the Director of Instruction were split, the individual hired as the Director of Special Education was set up by District payroll to receive the same benefits, including receipt of 64 extended days of service.

On December 8, 2020, the District Board approved revising its current year salary schedule to incorporate the newly created position of Digital Learning Coach and to align “the salary schedule to reflect changes to extended days that were made in 2016.” Per the Superintendent, this action was not a retroactive approval of past actions, but rather it was to correct the matter going forward in the current school year. The Superintendent explained that she had consulted with Board members, and it was agreed that the Board did not wish to reduce these individuals’ compensation. As such, the Board approved 64 extended days for the Director of Transportation, Director of Student Services, Director of Instruction, Director of Finance, Director of Special Education, and Digital Learning Coach.

While the Agreed Order entered into between EPSB and the former Superintendent on June 21, 2021, addressed matters impacting the former Superintendent’s license/certification, limited action has been taken to address the district’s failure to ensure the salary schedules presented to the Board were accurate and the district’s action to compensate employees beyond the official board approved schedules. The District and its former Superintendent were unable to explain why salary schedules were never revised to reflect the nine additional extended days of work granted on July 8, 2016, to these four positions.

Although the Board has taken action to revise the official salary schedule to align with what the District has awarded to select positions, it has not addressed whether those nine additional extended days are actually needed for each of the six positions to fulfill their current job duties and responsibilities, particularly for those positions, where the duties have since been split out into

other positions, such as the Director of Instruction and Director of Special Education. On April 21, 2021, during a regularly scheduled Board meeting, the Board Chairman requested “board members be notified when positions with 64 extended days are vacated so that the extended days could be discussed before the positions are posted to be filled,” indicating that the Board acknowledges the need to assess whether additional extended days are actually necessary for these positions.

We recommend the Board proceed in assessing the actual necessity of additional extended days for positions currently receiving 64 extended days at the next reasonable opportunity. We recommend the District conduct a thorough review of all compensation and benefits awarded to District personnel and report its findings to the Board. It is further recommended that the District review its internal practices for preparation of the annual salary schedule to ensure the schedule accurately reflects the needs and intent of the district to compensate employees prior to presentation to the Board. Finally, we recommend the Superintendent and district personnel responsible for implementing the salary schedule ensure actual compensation is consistent with that approved by the Board.

Finding 2: The former Superintendent had a vested interest in a vendor with whom the District does business, creating the appearance of a possible conflict of interest.

In 2012, the District began paying a local vendor \$2,000 a year for use of its 9-hole golf facility as a practice location for the District’s golf teams. The facility in question was reportedly the only facility available to the community for golf and had recently been closed due to financial difficulties of the prior owner. According to current and former District personnel, to keep the facility open for the community, a group of local community members, including the former Superintendent, took over the bank note for the facility. While the former Superintendent is not the sole owner of this property, a concern exists that the ownership of the property has created the appearance of a possible conflict of interest. By Kentucky Administrative Regulation, 16 KAR 1:020, EPSB has established the professional code of ethics for Kentucky school certified personnel. Among the requirements of this code of ethics, Section 1(3)(b)(6), states that certified personnel “[s]hall not use institutional privileges for private gain.”

District records show that prior to 2012, the District paid the facility owner on average about \$700 a year between 2006 and 2011. Because the District’s record retention policy allows invoices to be destroyed three-years after audit, the District could not evidence the purpose of those payments to the previous facility owner. However, District personnel stated that it was their understanding that the payments in this period were for a rate charged to use the facility for the boy’s golf team, along with fees for golf carts and range balls. In 2012, the District began paying \$2,000 a year for use of the facility by both its boys and girls team. District records dating back to 2017 show payments are made to the vendor as a single source purchase, with checks cosigned by the District Director of Finance and Superintendent in place at the time in which the check is issued.

The former Superintendent acknowledged that he had, along with other community members, taken on the mortgage of the golf facility in an effort to keep it open. The current Board Chair stated that she recalled discussing the matter with the former Superintendent in 2012 and that she

had agreed that the facility should be saved and that the District did not want students or families to travel to another county to practice. The former Superintendent stated that certain investors were not interested in allowing the facility to be used for free by the school so he looked at how much the District was paying for the use of other facilities, specifically noting that the District paid \$1,000 a year for use of another facility for its swim team.

Based on the statements and evidence provide by current and former District representatives, it appears that the former Superintendent was in a position that afforded him decision making authority as both a vendor representative and at the District. There are no financial disclosure requirements in law for superintendents; however, it does appear that the former Superintendent advised the Board Chair of the situation and she was in agreement with the decision. Because the EPSB establishes the professional code of ethics for Kentucky school certified personnel and oversees educator's certification, we recommend that this matter be reviewed further by EPSB to determine whether or not an actual violation of 16 KAR 1:020 exists.

Observation

In addition to the findings of this letter, an area of interest was identified during the examination. Information collected in association with this area of interest are presented in this report as an observation, along with related recommendations.

Observation 1: The District's practice of paying employees for additional hours worked through a standard invoice.

For hours worked beyond a standard work day, it is the district's practice to compensate both certified and classified personnel through the use of a standard invoice. This compensation is beyond employees' regular work salaries and extra service supplements. Work hours claimed through a standard invoice are added to an employee's record of compensation with taxes and withholding applied. While this method is approved by the board, as it establishes the hourly rate that may be paid out for extra work, there is no clear reporting back to the board of each individual's compensation through this method. Without periodic reporting of individual compensation, the board may not be able to fully determine what personnel are receiving in compensation and run a greater risk for individuals to be compensated beyond a reasonable amount.

The former Superintendent advised that the standard invoice method was one of two methods recommended to him by the District's former CPA in 2016 when he sought advice on how to compensate certain individuals for additional work duties assigned to them. The former Superintendent indicated that he was hesitant to compensate employees utilizing the standard invoice process as the compensation would not be as transparent to the public. Additionally, by awarding employees additional extended days, the employees would be documenting those days on their timesheets and would be held to the expectation of working the hours needed to complete the work.

The District's current monthly reporting to the Board includes bills for payment, a revenues and expenditures report, and a balance sheet. Per the District's Director of Finance, payroll

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transactions are not on monthly reporting to the board and the only time an individual employee's name appears in the bills for payment report is for a reimbursement of travel, registration, or lodging expenses. Additionally, the monthly revenues and expenditures report will only detail the total by expenditure code line item.

We recommend the District review its practice of compensating employees for additional work through a standard invoice to ensure the process is working as intended. The District should consider performing a periodic review of compensation paid to individuals through the standard invoice process and report the results of such review to the Board in an effort to reduce the risk of abuse or excess compensation.

We sincerely appreciate your attention to these matters and the District's cooperation with this limited-scope special examination. If you have any questions regarding this letter, please contact me, or Tiffany Welch, Executive Director, at 502-564-5841.

Thanks and God Bless,

A handwritten signature in black ink, appearing to read "Mike Harmon". The signature is written in a cursive style with a long horizontal stroke at the end.

Mike Harmon

Auditor of Public Accounts

CC Angela Stallsworth-Mink, Chairperson Rockcastle County Board of Education
angela.mink@rockcastle.kyschools.us