

Audit Brief – Jordan School District Facility Use

Objective and Scope:

The Internal Audit Department (IA) was contacted regarding an allegation of questionable facility use, for after-hour activities, by school personnel of the Jordan School District (District). To consider potential fraud, waste, and abuse, appropriate handling of public funds, and to verify compliance with applicable state code, rules, and policies and procedures, IA reviewed relevant District financial records, facility use records, activity disclosure statements, participant records, and inter-local agreements for a selection of activities at three high schools within the District. The scope of our audit, covered the time period of August of 2014 to February of 2016, with the exception noted below, and focused on the following areas:

- Internal control environment (e.g., documentation, approvals, etc.)
- After-hour District gym facility use
 - Inter-local agreement rentals
 - Facility rentals (e.g., commercial, non-profit events)
 - Building use requests (District staff requests)
 - Camps and clinics
 - Private, but public education-related activities (August 2014 – July 2016)

Findings and Observations:

Findings and observations were identified in the following areas and are listed below with recommendations for corrective action. Per auditor judgement, findings are considered more severe than observations. Finally, findings and observations are prioritized by significance.

Finding areas:

- Self-sustaining camps and clinics
- School-sponsored activity fees
- Building use request
- Financial records
- Collection of fees
- Private, but public education-related activity
- Inter-local agreement
- Activity disclosure statements
- Camp and clinic approvals
- Timesheets
- Supervision
- Stipend contracts
- Advertisement
- Participant registration
- Documentation and record retention
- Civic center use deposit
- Para-professional pay
- Participation hours
- Preparation hours

Observation areas:

- Cash handling
- Third-party indemnification
- Rental guidelines

Though there were several reasons for the findings above, it appears the most common reasons are a lack of policies and ineffective internal controls. The impact of the concerns varies, but of note the current policy decisions regarding after-hour facility use within the District may be:

1. diverting District and school resources, such as funds and time, from basic education programs to optional programs,
2. inequitably providing students access to school sponsored activities, and
3. potentially increasing liability and risk of fraud, waste, and abuse.

Internal Audit Recommendations:

- Increase oversight and monitoring by the local school board
- Ensure internal controls are operating effectively; as necessary, design, implement, and monitor new internal controls
- Draft and implement new policy and procedures as outlined
- Train staff on new and existing policies to ensure proper implementation
- Ensure all facility use has proper authorization and appropriate documentation prior to use
- Re-evaluate the existing inter-local agreements with the County, making any necessary changes and clarifications.

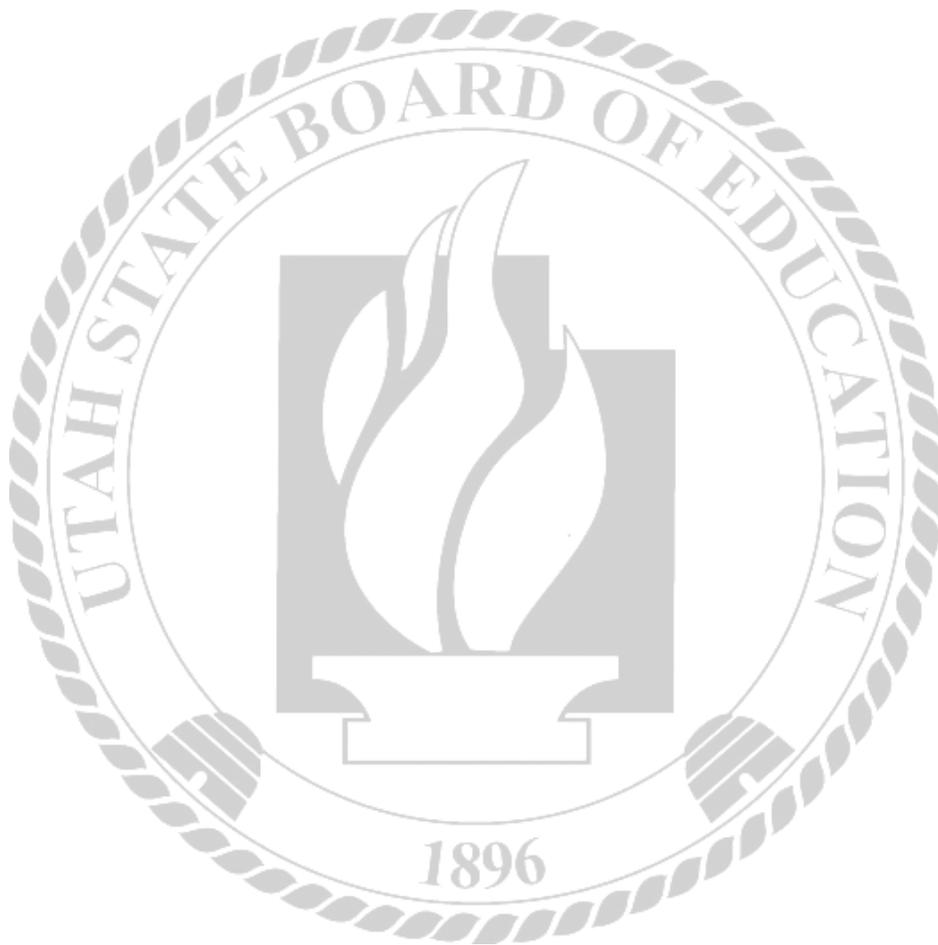
Management Response:

The District takes all audits seriously and will follow through with their Board of Education on the items presented in the report to see what can be done. As noted within the specific findings with their responses, some action has already been taken to resolve identified concerns, but greater questions regarding the fate of specific programs must be determined before final corrective action can be made.

Utah State Board of Education

16-02

JORDAN SCHOOL DISTRICT



USBE Internal Audit Department

09/19/2016

Susan Pulsipher, President

And

Jordan School District Board Members

Board of Education, Jordan School District

7387 S. Campus View Drive

West Jordan, UT 84084

Dear President Pulsipher and Jordan School District Board Members,

The Utah State Board of Education (Board) Administrative Rule 277-116-3 authorizes the Board's Internal Audit Department (IA) to perform audits as outlined in the audit plan approved by the Board. IA performed an audit of Jordan School District's (District) after-hour facility use for the purpose of verifying compliance with applicable code, rule, and policy and procedures following a hotline allegation of misconduct. IA obtained relevant documentation from Jordan School District personnel; including, the administrative staff at the three schools selected for review and performed the following procedures.

1. Gained an understanding, through research and inquiry, of applicable Utah Code, Board rule, and District policy.
2. Gained an understanding, through inquiry and observation, of the control environment with respect to after-hour facility use, at the district and schools.
3. Gained an understanding of the District Inter-local agreements with Salt Lake County.
4. Obtained and examined the following documentation for compliance with applicable Utah code, Administrative rule, and District policy and procedure.
 - a. 33 (28%) camp and clinic activities,
 - b. Six (86%) inter-local agreement rentals,
 - c. Five (100%) facility rentals,
 - d. 126 (2%) building use request (BUR) activities, and
 - e. Four (100%) private, but public education-related activities (August 2014 – July 2016).

These procedures were limited to after-hour gym facility use, at the schools selected, from August 2014 to February 2016, unless otherwise noted. We have identified the procedures performed above and the findings, observations, and recommendations from those

procedures are included in this report. These procedures were more limited than would be necessary to express an audit opinion on compliance or the effectiveness of internal control or any part thereof; accordingly, we do not express such opinions.

Audits are conducted in accordance with current *International Standards for the Professional Practice of Internal Auditing*. IA is in process of implementing the peer review quality assurance requirements by those standards.

By its nature this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the District and the schools during the course of the audit. Management's response to the audit is included on page 20.

This report is intended solely for the information and use of the Jordan School District Board of Education and management of the District, and the Utah State Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions, please contact me at (801) 538-7639.

Sincerely,



Deborah Davis, CPA
Internal Audit Director, Utah State Board of Education

- cc. David Crandall, Chair, Utah State Board of Education
David Thomas, Audit Committee Chair, Utah State Board of Education
Sydnee Dickson, Ph.D., State Superintendent of Public Instruction, Utah State Board of Education
Patrice Johnson, Ed. D, Superintendent, Jordan School District
John Larsen, CPA, Business Administrator, Jordan School District
Brad Sorensen, Administrator of Schools, Jordan School District
Lance Everill, Facility Operations Manager, Jordan School District

Contents

I.	Background	1
II.	Objective and Scope.....	1
III.	Findings and Recommendations	2
	<i>a. Self-sustaining camps and clinics</i>	2
	<i>b. School-sponsored activity fees</i>	4
	<i>c. Building use request</i>	5
	<i>d. Financial records</i>	6
	<i>e. Collection of fees</i>	7
	<i>f. Private, but public education-related activity</i>	8
	<i>g. Inter-local agreement</i>	9
	<i>h. Activity disclosure statements</i>	11
	<i>i. Camp and clinic approvals</i>	12
	<i>j. Timesheets</i>	13
	<i>k. Supervision</i>	13
	<i>l. Stipend contracts</i>	14
	<i>m. Advertisement</i>	15
	<i>n. Participant registration</i>	15
	<i>o. Documentation and record retention</i>	16
	<i>p. Civic center use deposit</i>	16
	<i>q. Para-professional pay</i>	17
	<i>r. Participation hours</i>	18
	<i>s. Preparation hours</i>	18
IV.	Observations	19
	<i>a. Cash handling</i>	19
	<i>b. Third-party indemnification</i>	19
	<i>c. Rental guidelines</i>	19
V.	Appendix A - Management Response	21

I. Background

According to Jordan School District's (District) website, the District is governed by the local Board of Education (local school board), which consists of seven elected officials that represent their communities. The local school board works with students, parents and District employees to provide students with educational opportunities, prepare for the world of work, and develop attributes of citizenship necessary in a democratic society.

The District is one of 41 districts also governed by the Utah State Board of Education (Board) and as such is subject to applicable Utah Code, Board established Utah Administrative Code, otherwise known as administrative rules, and Utah High School Athletic Association (UHSAA) bylaws and policies, in addition to their own policies. Within the District's policies are guidelines and manuals.

In 2014 the District identified several concerns with their Salt Lake County (County) inter-local agreement regarding camps and clinics on District property. In an effort to improve processes and outcomes for students and parents and to retain control and ensure compliance with applicable regulations, the District entered into new inter-local agreements with the County and developed a new District sponsored camp and clinic program separate from the County. In 2014, the School Run Camp and Clinic Guidelines were established to govern the new program and were subsequently included in the District's Financial Accounting Manual, which all District employees are required to follow per District policy JSD B102.

II. Objective and Scope

The Internal Audit Department (IA) was contacted regarding an allegation of questionable facility use, for after-hour activities, by school personnel of the Jordan School District (District). To consider potential fraud, waste, and abuse, appropriate handling of public funds, and to verify compliance with applicable state code, rules, and policies and procedures, IA reviewed relevant District financial records, facility use records, activity disclosure statements, participant records, and inter-local agreements for a selection of activities at three high schools within the District. The scope of our audit, covered the time period of August of 2014 to February of 2016, with the exception noted below, and focused on the following areas:

- Internal control environment (e.g., documentation, approvals, etc.)
- After-hour District gym facility use
 - Inter-local agreement rentals
 - Facility rentals (e.g., commercial, non-profit events)
 - Building use requests (District staff requests)

- Camps and clinics
- Private, but public education-related activities (August 2014 – July 2016)

III. Findings and Recommendations

Findings and observations were identified in the following areas and are listed below with recommendations for corrective action. Per auditor judgement, findings are considered more severe than observations, both findings and observations are prioritized by significance.

Findings are comprised of five elements. The five elements are:

1. Criteria: What should happen?
2. Condition: What is happening?
3. Cause: Why did it (i.e., the condition) happen?
4. Effect: What is the impact, or why should you care?
5. Recommendation (Suggestions): How do we resolve it (i.e., the cause)?

Utah Code Annotated 53A-3-402(15a) states that a local board shall make and enforce rules necessary for the control and management of the district schools. However, as noted in 16 of the 19 findings below, internal controls, designed to provide assurance that District facility use for after-hour activities is appropriate, approved, and conducted in compliance with applicable regulations, appear to be inadequate. Identified internal control weaknesses included, a lack of governance, inadequate policies and procedures, ineffective monitoring, and an over-ride of internal controls, potentially resulting in:

- inconsistent, questionable, or unallowable practices,
- an increasing risk of fraud, waste, and abuse,
- potential liability, and
- non-compliance with federal and state regulations.

a. Self-sustaining camps and clinics

Criteria: School run camps and clinic guidelines state:

All camps and clinics must be self-sustaining, covering associated costs; otherwise, the event will be cancelled.

Condition: Camps and clinics do not appear to be self-sustaining, and are not subsequently being cancelled. Concerns with the methodology to calculate the costs of camps and clinics, and revisions to the methodology, include the following:

- The camps and clinics guidelines have been revised six times from August 2014 to September 2015. A review of the guidelines related to the self-sustaining criteria shows an increase in the allocation to the school to pay personnel conducting

camps (from potentially 70% of revenue to potentially 100% of revenue) and a resulting decrease in the allocation for associated costs. The table below shows the allocations in the initial guidelines and current guidelines and provides further explanation of associated costs.

Effective Date	District Portion	District Portion Allocation	School Portion	School Portion Allocation	
8/1/2014	15%	5% Operations & Maintenance 5% Custodial supplies 5% Facility improvements	85%	70%	Wages/benefits for personnel conducting camp, additional expenses (supplies, guest instructors, ads, demos, etc.)*
				15%	Unpaid student participants, wages/benefits for custodial or equipment tech*
9/8/2015	0%	N/A	100%	85%	Wages/benefits for personnel conducting camp *
				15%	At the principal's discretion: Wages/benefits for custodial or equipment tech, potential wages/benefits for personnel conducting camp, background checks*

* Excess stays at school

Specifically we identified the following for eight of 33 camps/clinics selected for additional review:

	Four camps held under guidelines effective prior to Sept 2015 (Avg 65 participants/46 hours)		Four camps were held under guidelines effective Sept 2015 (Avg 38 participants/36 hours)	
Allocation	Average \$	Average %	Average \$	Average %
District Portion - 15%/0%	411.32	15.00%	N/A	
Wages/benefits - 70%/85%	2,327.89	84.89%	1,372.13	93.78%
School Portion - 15%	2.93	0.11%	90.99	6.22%
Total	2,742.14	100.0%	1,463.12	100.00%

- In August of 2014, new 242-day, 25-hour assistant positions were put into place at the high schools to accommodate the growing demand for accounting and tracking of all after school activities (e.g., camps/clinics); however, camps and clinics guidelines have not included a provision to cover those costs; therefore, they are subsidized by other programs/funding.

- Increased demand on existing staff; including but not limited to, payroll staff, custodial staff, district office administrative staff, and school administrative staff, none of which are covered by revenue generated from camps and clinics.
- Potential for increased financial liabilities associated with future increases in retirement benefits because camps and clinics compensation is processed through the payroll system.
- For 41% of camps and clinics reviewed that had completed the closeout process no revenue was transferred to the school to cover associated costs (i.e., 15% school portion); instead, funds remained in the camp and clinic account.
- Inadequate preparation time coupled with no registration deadlines, preventing proper data collection in order to identify whether or not camps or clinics should be cancelled based on participant interest and revenue collected.

Cause: The District has not provided a clear definition of self-sustaining, nor have they provided a clear understanding of all associated costs (i.e., does this include other personnel, such as custodians or should it include building utilities, lavatory supplies, etc.) to the principals, leaving them to subjectively allocate funds. Additionally, proper procedures have not been instituted to identify how and when a camp should be cancelled.

Effect: Potentially increasing;

- the financial burden to stakeholders/taxpayers to cover associated costs derived from optional camps and clinics,
- competition with private, public, and non-profit sectors for camp and clinic services by creating subsidized pricing for school sponsored camps and clinics,
- demand for school sponsored camps and clinics with lower participation costs, and
- the diversion of money and school and staff resources from the basic and required school programs.

Recommendation: The District should conduct additional analysis to determine the actual associated costs of camps and clinics using district facilities; consideration should be given to the type of activity, duration of activity, number of participants, and other influencing factors. The results of the analysis should be used to design a policy to ensure camps and clinics are self-sustaining, per the District's definition. The policy should also contain an exit strategy in the event a camp or clinic isn't self-sustaining, this will ensure camps and clinics are not being subsidized with resources for basic and required school programs.

b. School-sponsored activity fees

Criteria: Utah Administrative Code R277-407-1(A) Definitions states:

Fee: Any charge, deposit, rental, or other mandatory payment, however designated, whether in the form of money or goods. Admission fees, transportation charges, and similar payments to third parties are fees if the charges are made in connection with an activity or function sponsored by or through a school.

R277-407-4(A) School Activities Outside of the Regular School Day states:

Fees may be charged, subject to the provisions of Section R277-407-6 (i.e., Waivers), in connection with any school-sponsored activity which does not take place during the regular school day.

R277-407-6(A) Waivers states:

An LEA shall provide, as part of any fee policy or schedule, for adequate waivers or provisions in lieu of fee waivers to ensure that no student is denied the opportunity to participate in a class or school-sponsored or supported activity because of an inability to pay a fee.

Condition: The District requires payment for school-sponsored activities (i.e., camps, clinics, and co-sponsored county activities) without subjecting those activities, with their associated fees, to the provisions of R277-407-6 (i.e., waivers).

Cause: The District did not provide adequate training on the implementation of fee waivers for school-sponsored camps and clinics.

Effect: Increasing risk of inequality by limiting opportunities for all students to participate in school-sponsored activities and increasing the diversion of money and school and staff resources from the basic school programs to optional programs.

Recommendation: The District should train staff in the proper implementation of fees and waivers per Utah Code, Administrative Rule, and District policies, ensuring internal controls are properly designed and implemented to guarantee all future school-sponsored activities are in compliance.

c. Building use request

Criteria: Utah Code Annotated 53A-3-402(15) Powers and Responsibilities of Local Boards states:

(a) A board shall make and enforce rules necessary for the control and management of the district schools.

Condition: Inadequate policies and procedures related to the building use request (BUR) process, a process limited to staff to reserve and use district facilities to conduct free school sponsored activities.

Cause: Lack of direction by the local school board.

Effect: Unallowable, inconsistent, or questionable practices may occur, which increases the risk of fraud, waste, abuse, or non-compliance with regulations. Specifically, we noted:

- Two out of three (66%) schools selected for review disclosed that they had no implemented way to verify if the activities being conducted were the activities that were approved. The third school did random checks of the facilities to verify if the staff who reserved the facility was using the facility, but there did not appear to be any controls to ensure the event being conducted was the event that was approved.
- In 34 out of 126 (27%) BUR activities reviewed, school specific forms had not been completed and/or maintained; therefore, we could not verify required administrator approval.
- In six out of 57 (11%) BUR activities that required approvals from department heads, approvals were not obtained.
- Each of the schools reviewed had differing practices for building use requests.

Recommendation: We acknowledge that the individual schools have instituted practices with the intent of providing assurances, including but not limited to forms and approval processes; however, the local school board should direct the design and implementation of formal policies, procedures, and internal controls (e.g., III.h activity disclosure statements) to provide assurance that after-hour facility use (i.e., building request use) is consistent, approved, appropriate, monitored, and in compliance with all applicable regulations in an effort to minimize potential fraud, waste, and abuse of the facilities.

d. Financial records

Criteria: Utah Administrative Code R277-113-4(G) LEA Responsibilities states:

LEAs and individual public schools shall comply with the following regarding school and non-school sponsored activities:

- (6) ...shall maintain records in sufficient detail to track individual contributions and expenditures as well as overall financial outcome.

Condition: Financial records are not maintained in sufficient detail to identify individual contributions and expenditures.

- In 24 out of 33 (73%) camps and clinics reviewed, there were inadequate records to identify some and/or all individual contributions.
- In 11 out of the 16 (69%) camps and clinics that reported additional expenses on the closeout form, there were inadequate records to reconcile individual expenditures with financial records.

Cause: Inadequate preparation time for camps and clinics coupled with no registration deadlines, overextended administrative staff, and inadequate internal controls. Additionally, inadequate documentation between camp and clinic and curricular club accounts regarding cost sharing activities.

Effect: Circumventing proper procedures potentially resulting in a significantly increased risk of liability, fraud, waste, or abuse related to cash receipting and purchasing.

Recommendation: We acknowledge that the District has attempted to address the increased workload by adding additional 25 hr. /wk. assistants; however, the District should also consider implementing additional policies and procedures with properly designed and implemented internal controls specifically addressing registration deadlines, financial transaction documentation, and cost sharing documentation. Furthermore, the District could consider implementing online registration and payments systems to minimize administrative staff workloads.

e. Collection of fees

Criteria: School Run Camps and Clinics Guidelines state:

7. Money Collection: All registration moneys must be collected and receipted by the school.

Condition: In 11 out of 33 (33%) camps and clinics reviewed, the school failed to collect registration fees from individuals who participated in the camp and clinic.

Cause: Lack of internal controls, policies, and procedures and limited staff training regarding fee collection.

Effect:

- Inequality in fee structuring (e.g., partial fees being paid, coaches' kids not having to pay, etc.)
- Inconsistent practices/procedures
- Fees not collected prior to participation (88% of camps/clinics were collecting fees after the camp had started)
- Lengthy closeout processes (i.e., 18% of closeouts were at least 3 months after final activity)

The above inevitably lead to an increasing risk of unsustainability or the need to divert basic program funds to cover optional program costs, liability, and fraud, waste, and abuse.

Recommendation: The District should properly design and implement policies and procedures with internal controls to ensure registration fees are collected in total prior to participation, fee structuring is equitable, and collection processes are timely and consistent.

f. Private, but public education-related activity

Criteria: Utah Administrative Code R277-107-4(B) LEA Relationship to Activities Involving Educators states:

An employee that participates in a private, but public education-related activity, is subject to the following:

- (1) The employee's participation in the activity shall be separate and distinguishable from the employee's public employment as required by this rule;

JSD Policy AA444 Employee involvement in private, but public education-related activities states:

B. (1) An employee may participate in private but public education-related activities if the activity is separate and distinguishable from employment in the school district.

D. Parent Notice and Permission: Prior to any travel or other activity listed in A.3. of this policy, parents or legal guardians of all students shall be notified and the parents shall have signed a release of liability form. This form shall be kept in the administrative office(s) of the school.

E. Copies of Contracts Provided to School District: The employee must provide to the principal at the school where he/she is employed a signed copy of all contracts between him/her and the private activity sponsor. The employee who engages in any private but public education-related activity shall provide a signed disclosure statement to Jordan School District available from local principals.

Condition: In four out of four (100%) private, but public education-related activities, proper forms were not completed and/or the activity wasn't separate and distinguishable from staff's employment with the District.

- Two out of four (50%) private, but public education-related activities reviewed were not conducted as separate and distinguishable from the employee's public employment. The activity supervisor and participants represented themselves as the high school team.
- In three out of four (75%) private, but public education-related activities reviewed, the parent notification and release of liability forms for each of the participants were not provided to the administrative office of the school.
- In one out of four (25%) private, but public education-related activities reviewed, the disclosure statement, notifying the school of the activity, was not completed.

Cause: Inadequate training and internal controls specific to private-but public education-related activities. Staff responsible for preventing potential fraud and ensuring compliance with administrative rule are not providing proper oversight and monitoring. Finally, staff did not comply with existing policy.

Effect: An increasing risk of private, but public education-related activities not being disclosed by staff, properly documented, and monitored, resulting in a greater possibility of fraud, abuse, increasing liability, and a loss of public trust.

Recommendation: The District should ensure internal controls have been properly designed and implemented and all staff have been trained related to private, but public education-related activity policies. The District should consider potential disciplinary action of staff for non-compliance.

g. Inter-local agreement

Criteria: Utah Administrative Code R277-113-5(C) Required LEA Fiscal Policies states:

LEA fiscal policies shall address the following:

- (1) Cash Handling: The LEA cash handling policy shall address cash receipts (cash, checks, credit cards, and other items) collected at the LEA and individual public schools through school sponsored activities and shall include:
 - (a) Establishment of internal controls and procedures over the collection, deposit, and reconciliation of cash receipts received;

Condition: The District does not have sufficient internal controls in place to ensure appropriate collection and reconciliation of rental fees associated with the County inter-local agreement.

Cause: The inter-local agreement between the District and the County lacks specificity regarding payment terms and documentation and contains subjective and vague language. For example, the inter-local agreement states:

“4. County shall maintain a log of excel spreadsheets, a log of times the Premises are used, and shall submit a copy of the log together with the commensurate fee to the District on a quarterly basis. This Agreement shall not obligate County to use the premises for all or part of the time allocated and County shall be obligated to pay for the time the premises are scheduled and/or actually used.”

Other than a log of times the premises are used, this requirement lacks specific information needed to facilitate and verify the payment calculation. For example, there is no requirement for the District to invoice the County, as is the current practice, and there is also no requirement on how participants are to be documented and provided to the District for payment calculation.

Effect: Increasing risk of under-reported participants and/or hours resulting in under-billing for use of the premises, and potentially impacting appropriate maintenance and operations of school facilities. Specifically, we noted the following for the activities reviewed:

- One out of nine activities was invoiced by the District prior to the invoice time period being completed and without a subsequent reconciliation to the actual numbers; invoice period was 9/15/14 - 11/8/14 and the invoice date was 10/24/14. The agreement indicates the rental fee is for “actual time used”; therefore, billing prior to the invoice period end date represents estimated or scheduled time used rather than actual time. The District indicated it is not the common practice to bill for the usage until after it has occurred but in this instance the County had requested to have it billed so that they could finalize yearend payments, and the district complied; under these circumstances a reconciliation of the estimated and actual should have been completed.
- Nine out of nine (100%) of the activities reviewed did not have sufficient evidence or documentation for the District to verify the number of participants included on the bill.

Recommendation: We acknowledge that the District has met with representatives of the County and begun the process of implementing changes to the inter-local agreement. Additional suggestions to consider for the agreement are outlined below. The District should also establish necessary policies and internal controls to ensure appropriate collection and reconciliation of funds.

- Detailed clarification of the programs; i.e. season, age range, games and/or practices.
- Exhibit B- Amendment should be submitted annually with the approved rates or remove the reference to the year from Exhibit B
- Describe how “actual time used” is to be verified by the District
- Agreement No. 587 contains a provision for the County to provide a roster to the District (paragraph 2(b) (ix)). However Agreement No. 374 does not appear to contain any such provision.
 - The District should be verifying the submitted use information with source documents, such as:
 - Roster of participants
 - Flyer that announces dates and times of games and practices to cross check usage
 - Time in facility as documented by a District custodian
- Agreements fail to require that the County ensure employees and volunteers have received a background check if they are coaching District students on District premises.
- Agreement No. 374 Para. 16 addresses potential property damage to District facilities caused by County participants, but doesn’t expressly require the County to clean up any trash or messes after their activities.

- Agreement No. 374 Para. 2 allows the County to use District storage space when available. The Inter-local agreement doesn't address scenarios such as if there is damage to the space, vandalism, etc. The District might insert language that says it is not liable for anything that happens to County property stored at District facilities.
- Agreements mention governmental immunity ("each party is responsible and liable for the wrongful or negligent acts that it commits . . .") and it would be prudent to include an indemnification provision stating the County will indemnify the District for any liability the District incurs on account of the conduct of the County or its participants under the Inter-local agreement.

h. Activity disclosure statements

Criteria: Utah Code Annotated 53A-3-420 Activity disclosure statements states:

- (1) For a school year beginning with or after the 2012-13 school year, a local school board shall require the development of activity disclosure statements for each school-sponsored group or program which involves students and faculty in grades 9 through 12 in contests, performances, events, or other activities that require them to miss normal class time or takes place outside regular school time.
- (2) The activity disclosure statements shall be disseminated to the students desiring involvement in the specific activity or to the students' parents or legal guardians or to both students and their parents.
- (3) An activity disclosure statement shall contain the following information:
 - (a) the specific name of the team, group, or activity;
 - (b) the maximum number of students involved;
 - (c) whether or not tryouts are used to select students, specifying date and time requirements for tryouts, if applicable;
 - (d) beginning and ending dates of the activity;
 - (e) a tentative schedule of the events, performances, games, or other activities with dates, times, and places specified if available;
 - (f) if applicable, designation of any non-season events or activities, including an indication of the status, required, expected, suggested, or optional, with the dates, times, and places specified;
 - (g) personal costs associated with the activity;
 - (h) the name of the school employee responsible for the activity; and
 - (i) any additional information considered important for the students and parents to know.

Condition: The District did not have any activity disclosure statements for activities conducted outside of regular school time.

Cause: Lack of direction by the local school board by not issuing a policy to inform and direct schools regarding the implementation of this requirement.

Effect: Unallowable, inconsistent, or questionable practices may occur, which increases the risk of fraud, waste, abuse, or non-compliance with regulations.

Recommendation: The District should develop and implement policy to ensure compliance regarding the completion of activity disclosure statements. Staff should be trained on the policy.

i. Camp and clinic approvals

Criteria: School Run Camps and Clinics Guidelines state:

3. Approval to Conduct a Camp or Clinic: All camps and clinics must receive prior approval

- Step 1: School Administrator
- Step 2: Facilities Scheduler
- Step 3: Administrator of Schools (Once approved, will send notification to the school to proceed)

Condition: In 14 out of 33 (42%) camps and clinics reviewed, the camp had started before being approved.

- Four out of 33 (12%) camps/clinics started before being approved by the school administrator. In each case, the camp or clinic had begun prior to completing an application.
- Seven out of 33 (21%) camps and clinics started before being approved by the Facilities Scheduler.
- 12 out of 33 (36%) camps and clinics started before being approved by the Administrator of Schools.

Cause: Internal controls have been implemented, but are not operating effectively. Approvals are viewed as acknowledgements instead of requests for permission.

Effect: Increasing risk in liability related to inappropriate use of facilities and/or supervision of participants, and potentially significant increases of risk in fraud, waste, or abuse.

Recommendation: The District should ensure internal controls are properly designed, implemented, and operating effectively.

j. Timesheets

Criteria: Financial Accounting Manual states:

Occasionally, an employee might perform work outside their contracted responsibilities such as selling tickets at an athletic event, assisting with locker clean-out, or preparing make-up packets. In these instances, the employee should complete a time-sheet indicating date, location, description of work completed, time in, time out, total hours worked and hourly wage.

Condition: In 29 out of 33 (88%) camps/clinics tested, staff did not properly complete timesheets.

- 28 out of 33 (85%) camps/clinics had at least one timesheet that did not include in and out times with daily totals for days worked.
- 25 out of 33 (76%) camps/clinics had at least one timesheet that did not include dates worked.
- One out of 33 (3%) camps/clinics had at least one timesheet that did not include a description of the work performed.
- Five out of 33 (15%) camps/clinics had at least one timesheet that did not include locations where work was performed.
- Three out of 33 (9%) camps/clinics had at least one timesheet that did not include total hours worked.
- 12 out of 33 (36%) camps/clinics had at least one timesheet signed by someone other than the employee for the employee.

Cause: District practice allows for non-compliance with policies and procedures. Timesheets are being approved, without required details, which have been completed and signed by someone other than the employee who performed the work.

Effect: Increasing risk of fraud, waste, or abuse, noncompliance with internal policies, and over or under payment of employees, which could impact retirement and benefit calculations, potentially resulting in a misuse of state funds or an abuse of state resources.

Recommendation: The District should train staff on existing internal policies regarding timesheet completion. Ensure internal controls are properly designed, implemented, and operating effectively at all levels in order to ensure proper payment to staff based on adequate supporting documentation.

k. Supervision

Criteria: School Run Camps and Clinics Guidelines state:

1. Personnel Conducting: At least one instructor with the required certifications (CPR, First Aid, and Concussion Sports) must be present at all times.

Condition: In 14 out of 33 (42%) camps and clinics reviewed, there were not enough hours reported on timesheets to verify if proper supervision of participants had occurred.

Four out of 33 (12%) camps and clinics reviewed did not have a properly certified coach to supervise participants.

Cause: Inadequate documentation and inadequate internal controls.

Effect: Increasing risk of liability and misuse of public assets.

Recommendation: The District should train staff on all applicable policies and procedures regarding proper documentation of camps and clinics, train coaches on proper supervision and documentation of supervision, and ensure controls are properly implemented and operating effectively.

1. Stipend contracts

Criteria: School Run Camps and Clinics Guidelines state:

2. Compensation for Personnel: Camp and clinic stipend may be considered and will be based on projected revenue generated through registration and will never exceed an employee's maximum hourly rate potential.
3. Approval to Conduct a Camp or Clinic: If stipend option for payment is being considered, a "Special Assignment Contract for Coach/Advisor Employees" must be filled out prior to the camp and clinic and submitted with Form A.

Condition: Out of 33 camps and clinics reviewed, five camps/clinics paid staff using stipend contracts, totaling 18 paid stipend contracts. Of the 18 stipends paid:

- 13 (72%) lacked adequate documentation to determine the necessary specific terms of the contract and if the terms were met prior to payout,
- Five (28%) had the stipend contract signed and entered into after the contracted service was provided, and
- One paid the coach over their hourly wage, which resulted in an overpayment of approximately \$30.

Cause: Inadequate policy, procedures, and internal controls regarding stipend contracts. Staff have not been properly trained on stipend contracts, ensuring specific terms of the stipend contract are properly identified and included prior to signing a contract or met prior to paying for contracted work.

Effect: Increasing liability, potential overpayment of staff, and an increasing risk of fraud, waste, and abuse.

Recommendation: IA acknowledges that the District has made several positive changes to their special assignment contracts (i.e., stipend contract) by including additional details related to camps and clinics; however, the District should develop and implement accompanying policy, procedures, and internal controls specific to stipend contracts and train staff on the policy and procedures to ensure compliance. Furthermore, the District should consider seeking reimbursement for the overpayment.

m. Advertisement

Criteria: Utah Administrative Code R277-107-4(B) LEA Relationship to Activities Involving Educators states:

(2)The employee may not, in promoting this activity:

(b) Use education records, resources, or information obtained through the employee’s public employment unless the records, resources, or information are readily available to the general public.

R277-107-5(C) Advertising states:

Posters or brochures may be posted or distributed in the same manner as could be done by a member of the general public.

Condition: A non-sponsored event promoted its activity using resources only available to an employee of the LEA.

Cause: Inadequate internal controls over website content.

Effect: Promoting non-sponsored activities in areas considered accessible only by District employees may imply the activity is sponsored by the LEA and could result in increases in fraud, waste, abuse, potential liability, and potentially implying that participation in said activity may affect future possibilities in other activities.

Recommendation: We acknowledges that upon learning about the advertisement of the non-sponsored activity on the school’s website, the District immediately took steps to remove the link from the website and address the matter with staff involved. The District should also consider reviewing internal controls to ensure they are effective in monitoring and approving suitable and appropriate material for the school’s websites.

n. Participant registration

Criteria: School Run Camps and Clinic Guidelines state:

5. Participants: All participants must complete a JSD School Run Camp or Clinic Participant Registration – Form B.

Condition: Out of 33 camps and clinics required to obtain informed consent and waiver of liability agreement forms (registration forms):

- 11 (33%) camps and clinics didn't have any registration forms on file.
- Five (45%) camps and clinics were missing at least one or more registration forms.

Cause: Inadequate internal controls to ensure participants are registered, consent is given, and liability is waived prior to participating.

Effect: Potentially significant increase in liability related to student participation and potential harm while participating in camps and clinics.

Recommendation: The District should design and implement internal controls to ensure all participants are registered (e.g., rosters) prior to participating in a school-sponsored camp or clinic.

o. Documentation and record retention

Criteria: School Run Camps and Clinic Guidelines state:

All camp and clinic documentation and financial records must be kept on file at the school for a period of four years.

Condition: In 22 out of 33 (67%) camps and clinics reviewed, the sponsoring school did not retain registration forms (i.e., informed consent/wavier of liability agreement form) for each participant.

Cause: Inadequate training of staff. Staff was either not aware of the relevance of retaining the forms at the conclusion of the camp and clinic or the requirement to retain the forms.

Effect: Increased risk of liability, fraud, waste, and abuse related to inadequate record retention.

Recommendation: The District should train staff on proper record retention policies and ensure internal controls are operating effectively to guarantee compliance with the policies.

p. Civic center use deposit

Criteria: JSD policy DA151 states:

(C) All Jordan School District employees are directed to support and follow this policy, the Facility Rental Guidelines and Utah Code related to the use of school buildings and grounds for other than school purposes.

Facility Rental Guidelines state:

A 10% deposit or \$200, whichever is greater, will be required on all rentals.

Condition: The District is selectively choosing who will pay a deposit.

Cause: Management override of controls--the policy and guideline was considered by staff as burdensome on local taxpayers, inefficient, and without significant benefit for the District. Therefore, staff only charges a deposit to certain groups based on size or activity.

Effect: Increasing risk of loss due to misuse or abuse of the facilities, which is not covered by the renter. Additionally, an increasing risk of liability associated with allegations of discrimination due to inequitable business practices.

Recommendation: The District should adhere to their current policy and guidelines. If staff has identified District guidelines as inefficient and ineffective; it should be reported to the local school board for consideration in developing and implementing more effective policy and procedures.

q. Para-professional pay

Criteria: School Run Camps and Clinics Guidelines state:

2. Compensation for Personnel: ...Para-professional coaches will be paid based on their coaching experience...; they will be placed on the teacher salary schedule for the purpose of identifying an hourly rate.

Condition: In one out of 19 (5%) camps and clinics where para-professionals were paid, a para-professional was paid at a rate higher than supported by documentation.

Cause: Inadequate internal controls to identify, verify, and document years of experience for para-professionals.

Effect: Increasing risk of fraud, waste, and abuse of public funds.

Recommendation: We acknowledges that at the time of the error, the camps and clinics program was within its first six months; furthermore, four separate versions of the guidelines had been issued within those six months, the latest within a month of the time of the error. Therefore, we recommend the District ensure existing internal controls are properly designed, implemented, and operating effectively and that staff are properly trained on all policy prior to implementation.

r. Participation hours

Criteria: School Run Camps and Clinics Guidelines state:

10. Closeout: Form C will be completed by the camp or clinic coach and will contain:

- Camp or clinic details

6. Registration Fees/ Additional Expenses:

- The participant registration fee cannot exceed \$7 per hour of instruction/participation

Condition: In one out of 33 (3%) camps or clinics reviewed, Form C did not include necessary details for the proper closure of the camp or clinic. Specifically, participation hours were not included; without this information the District could not calculate if the instruction rate was below \$7 per hour as required or if a coach was properly paid according to policy.

Cause: Staff non-compliance with District policy and lack of internal controls to identify the error prior to approval.

Effect: Increasing risk of fraud, waste, or abuse, inadequate documentation, and questioned allocation of funds.

Recommendation: The District should train staff on the proper documentation for camps and clinics and ensure internal controls are operating effectively.

s. Preparation hours

Criteria: School Run Camps and Clinics Guidelines state:

2. Compensation for Personnel: All head coaches may claim 1 hr. of preparation for every four hours of instruction as part of total compensation.

Condition: In one out of 15 (7%) camps/clinics reviewed where preparation hours were requested, someone other than the head coach received compensation for preparation hours.

Cause: Inadequate training of staff regarding camp and clinic guidelines.

Effect: Increasing risk of non-compliance with District policy and misuse of public funds.

Recommendation: The District should adequately train staff on current policy or consider revising guidelines to allow coaches to delegate preparation hours with its associated compensation.

IV. Observations

a. Cash handling

While processing camp and clinic closeouts, we identified several occasions where the cash and check totals reported on the camp and clinic roster did not match the receipts. Staff indicated that check and cash would be swapped between deposits in an effort to ensure checks were deposited as quickly as possible to minimize the risk of bounced checks. Swapping funds from deposit to deposit is contrary to best practices, resulting in an increased risk of fraud or abuse. We recommend the District conduct a review of its cash handling processes to ensure compliance with policies and best practices in the area of cash handling and ensuring monies collected for each camp and clinic are deposited as collected. Refer to finding III. d Financial records.

b. Third-party indemnification

The District requires third-party instructors and demonstrations held on district property to indemnify the district; however, there is no formal process to identify when third-parties will be involved with camps and clinics; therefore, we recommend the District develop formal procedures to identify third-parties in order to ensure district policy is being met.

c. Rental guidelines

The District's practice is to have a Permit and Use Agreement completed for each facility rental; however, the Facility Rental Guidelines do not give clear directions regarding who (e.g., governmental agencies, etc.) should complete the agreement, when, and what approvals are necessary.

The District also allows facility renters to rent equipment; however, there does not appear to be an inclusive equipment fee schedule to ensure prices are consistent from one renter to another. Instead, some equipment fees are arbitrarily charged with little reasoned determination.

Finally, ambiguity also exist within the area of civic center rental for non-profit events, which could potentially lead to inconsistent and inequitable outcomes for renters and

higher risk for fraud, waste, and abuse of school facility use by commercial renters operating non-profit events.

We recommend the District consider developing and implementing policies and internal controls to ensure Permit and Use Agreements are consistently applied and completed and facility and equipment rental fees are reasoned and uniformly charged.

V. Appendix A - Management Response



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October 5, 2016

Response to Audit Brief – Jordan School District Facility Use

Debbie Davis
Internal Audit Director, Utah State Board of Education
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Ms. Davis:

Up until two short years ago, Jordan School District, like other Salt Lake County districts, allowed coaches and advisors to run camps and clinics independent of the District through Salt Lake County. At that time we ran into many scheduling difficulties where these county run camps and clinics were not scheduled with the District. Further, the District was concerned about some coaches and advisors overcharging the students for some camps and clinics. Many attempts at working through the issues were made. Finally, in the summer of 2014, the District began operating its own camp and clinic program with two main goals in mind: 1) building use was coordinated to avoid scheduling conflicts; and 2) make sure families were not overcharged for a camp or clinic. As with any new system, the District has run into some challenges. We feel we are continuing to address those challenges as they are discovered. We welcome suggestions for improvement.

Upon notification of this performance audit, we looked forward to receiving insight and recommendations for potential cost savings and process improvements. During the course of the audit, over the last several months, we received and appreciated the thoughts and suggestions that were verbally given by the auditors and were told that implementation of the suggestions was not required. We were surprised that the audit report conveyed those suggestions by turning them into formal "findings." It is comforting to note that "both findings and observations are prioritized by significance" (page 7 of the report first paragraph) and that the very first finding simply needed clarification.

We, as well as the Board of Education, are quite concerned that the results of this audit may force us to go backward to the system that did not have rules and protections for our students and our facilities. We of course do not desire that outcome; however, as the audit points out, public education is held to a much higher standard than other entities. Some of the recommendations made may cost more to implement than the very losses they are designed to prevent. Nevertheless, we do take audits very seriously and will follow through with the Board of Education on the items presented in the report to see what can be done. The Board of Education has repeatedly indicated they are anxious for permission to discuss and act on this audit – once its "Confidential Protected Draft" status is removed.

Brief responses to each "finding" and observation are below:

Findings:

a) Self-sustaining camps and clinics:

Interpretation: It appears the auditors took a statement out of the guidelines too literally and as a result the auditors believe that camps and clinics should be 100% self-sustaining and cover "down-to-the-dollar" of every cost they create.

Response: It was not the intent that camps and clinics pay for all aspects, “down-to-the-dollar”, of utilities, custodial supplies, administrative staff, etc. We will either remove the “self-sustaining” statement from the guidelines or define it so as to eliminate such misinterpretations.

b) School-sponsored activities:

Interpretation: School district run camps and clinics are subject to fee waivers.

Response: A costly nuance of changing from the old camp and clinic system to the new camp and clinic format is that school district run camps and clinics are subject to fee waivers while camps and clinics run by other agencies and groups are not. If the District decides to continue running camps and clinics, the District will address waivers with schools and in the guidelines.

c) Building use request:

Interpretation: The District needs a way to know if someone using the facilities has proper permission to use the facilities.

Response: Our buildings are open quite a bit of time due to the nature of public education and community centers. However, we do ask staff and non-staff wishing to use our facilities to go through a scheduling process in order to avoid conflicts and to be fair to everyone. How to go about discovering when someone tries to cheat and use the facility without permission is the question. Implementing a control wherein someone goes around asking those in our buildings to show proper credentials, receipts, permission, authority, etc. to be in the building and in that particular room would be cost prohibitive. However, we can, and will, ask that our staff (e.g. principals, teachers, coaches, advisors, custodians, etc.) watch for suspected non-approved facility use.

d) Financial records

Interpretation: Individual receipts and records should indicate who paid for a camp or clinic.

Response: Our current on-line and over-the-counter registration processes show this information. The problem appears to occur when the lead time is so short that some pay the first day of the camp into a cash box. If the District decides to continue running camps and clinics, we will resolve this concern by either asking participants to pay ahead of time and not on the first day of camp, or that the cash box must include a manual list of who paid that matches the funds received.

e) Collection of fees

Interpretation: School records need to indicate that all participants either paid or had their fee waived.

Response: We believe that many of these circumstances are indeed fee waivers that the coach / advisor didn't charge the participant the camp fee. Further, the practice of allowing a cash box to collect fees without a manual list of who paid, and coaches wanting to “help someone out” all contribute to this challenge. If the District decides to continue running camps and clinics, we could resolve this concern by indicating that funds not received will reduce the coach or advisor's pay for the camp or clinic. Otherwise, we could implement a control matching every participant to receipts and waivers.

f) Private, but public education-related activity

Interpretation: Some staff engage in activities that are not school sponsored, but are education related without informing the administration of those activities as required by policy.

Response: As with most policies, they are only as good as the compliance to the policy. School administration typically would not find out about noncompliance unless someone complained about potential wrongdoing (e.g. charging students for an activity that personally benefited the staff member). The District already requires every staff member to review this policy at the beginning of every school year. The District will reiterate that this policy is an effort to protect all parties involved, but especially the staff member from wrongful allegations.

g) Inter-local agreement

Interpretation: Clarifications should be made to the inter-local agreement with Salt Lake County.

Response: With legal counsel assistance, we will edit the inter-local agreements and work with District personnel to address the recommendations. We have already met with representatives of the County, and they have agreed to help implement changes.

h) Activity disclosure statements

Interpretation: ALL activities done outside of normal teaching hours should require an activity disclosure statement with all aspects outlined (e.g. maximum number of students, tryouts, etc.).

Response: This would mean that prom, graduation, senior breakfast, etc. should have an activity disclosure statement. The District will consider this interpretation and act accordingly.

i) Camp and clinic approvals

Interpretation: Final approvals for camps and clinics should occur before the camp or clinic begins.

Response: If the District decides to continue running camps and clinics, deadlines for approvals will be established.

j) Timesheets

Interpretation: Timesheets reviewed did not include every timesheet component mentioned in an employee manual.

Response: The manual will be changed to clarify that not every component is applicable to every situation.

k) Supervision

Interpretation: Documentation indicating coaches and advisors running camps and clinics are properly certified should be retained.

Response: If the District decides to continue running camps and clinics, the forms will be revised to indicate certifications.

l) Stipend contracts

Interpretation: Stipend documentation needs to be more timely and specific.

Response: If the District decides to continue running camps and clinics, guidelines will be clarified as to what is expected.

m) Advertisement

Interpretation: Auditors found one non-school sponsored event posted on a school website.

Response: Posting was taken down. District will remind Principals that only school sponsored activities, and not private activities, are to be posted to their websites.

n) Participation registration

Interpretation: Registration forms for camps and clinics should be obtained and retained for each participant.

Response: If the District decides to continue running camps and clinics, schools will be reminded to obtain and retain the registration forms.

o) Documentation and record retention

Interpretation: Schools are not retaining camp and clinic documentation for the required four years.

Response: If the District decides to continue running camps and clinics, District will remind schools to retain information for four years.

p) Civic center use deposit

Interpretation: The District should either strictly adhere to its deposit requirements or alter the requirements to match what it is doing.

Response: We will change the Facility Rental Guidelines to specifically define when a civic center use deposit will be assessed to a rental.

q) Para-professional pay

Interpretation: Coaches should be paid at appropriate rate based on years of experience.

Response: We concur. That is why every year we increment years of experience by one. Not stated is how many coaches were tested.

r) Participation hours

Interpretation: One camp did not include hours worked in closeout form.

Response: If the District decides to continue running camps and clinics, we will watch to ensure forms are complete.

s) Preparation hours

Interpretation: One camp had someone other than the head coach claim the preparation time.

Response: If the District decides to continue running camps and clinics, we will eliminate the misunderstanding by indicating the head coach or designee may be paid the preparation time.

Observations:

a) Cash Handling

Interpretation: Cash / check composition of camp / clinic deposits was altered before deposit.

Response: We concur that this is a concern. If the District decides to continue running camps and clinics, we will remind staff that no one should alter the cash / check composition of a deposit.

b) Third-party indemnification

Interpretation: Third parties involved with camps and clinics should indemnify the District.

Response: If the District decides to continue running camps and clinics, we will work with District administration to edit camp and clinic guidelines and forms to identify third-party involvement and facilitate indemnification through the District Facilities Scheduling Office. Third-party indemnification is not required for school/educational building use activities.

c) Rental Guidelines

Interpretation: Some clarifications could be made in the rental guidelines to clear up some things.

Response: We will recommend to the Board of Education to edit the Facility Rental Guidelines and Fee Schedule to clear up these misunderstandings.

Sincerely,



John Larsen
Business Administrator