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**House Government Accountability and Oversight Committee  
Substitute HB 312 Interested Party Testimony  
Maria Rellinger, Treasurer/CFO, Apollo Career Center  
October 25, 2017**

Good morning Chairman Blessing, Vice Chair Reineke, Ranking Minority Member Clyde and members of the Committee. My name is Maria Rellinger, Treasurer/CFO at the Apollo Career Center in Lima, Ohio. Thank you for the opportunity to speak to you today to share my views on Substitute House Bill (Sub. HB) 312.

I want to begin by explaining my background and interest in this Bill. I am a former auditor with the state auditor's office and I have recently chaired the OASBO Auditor of State Advisory Committee. During this time, I was involved in working with State Auditor Dave Yost and his staff as this legislation was being developed. We believe the proposal has benefited from the input of our committee and practitioners in the field that we represent.

Today I would like to share some remaining comments and concerns I have about the bill and those my colleagues have expressed to me.

First, I want to express that credit cards are a safe method of payment. I, and I am sure many of you, do not go through a day without using a credit card. Credit cards have always been a popular means of payment, however with the increase of online ordering they are now a way of life. This way of life has now bled into the public finance arena and as school district treasurers, we have adapted to using them. When I say we have adapted, we have made the necessary changes in our fiscal controls to accommodate their use. Credit cards have modernized our payments in ways that increase, rather than decrease accountability for public funds.

Using a credit card for purchasing allows for accurate, secure payments with fraud protection supported by the issuing bank. Credit cards are a safe form of payment with no additional risks over paper checks or cash because of the records provided for credit card transactions and also the coverage by the bank should unauthorized charges appear on the account.

Credit cards also allow for more accurate payments in certain circumstances. For example, in the past we would send a check with employees attending a conference to pay for hotel rooms. More times than not, the check was either over or under the actual bill due to an additional discount, a cancellation of a room, or a parking increase. The employee would have to cover the difference or accept cash as a refund to bring back to the district. Now with the use of credit cards, we are billed accurately for the services we use and if there is a dispute it can easily be refunded to the credit card. Credit cards make for smoother transactions in a simple and secure way.

Second, effective, established purchasing controls over credit card purchases make them just as, if not more, efficient and effective than the traditional purchasing route. From a fiscal control perspective, credit card use allows for easier accounting of school district expenditures and potential misspending by employees. A credit card statement details every transaction, for which a card was used, and when the transaction occurred. Having this document to tie back to a purchase order and detailed receipt is an efficient process in our office. If we do not already have the detailed receipt in our possession, then we know right where to find it. With the correct controls in place, credit card transactions are as secure as any other method of payment and follow the same control process within a district.

I share this information with you because I believe the use of credit cards by school districts is a good thing. The issue is whether or not districts practice the proper controls over any type of expenditure ~ not just with credit cards. HB 312 seems to be over-prescriptive in detailing the practices for credit card use.

Perhaps the requirement in HB 312 that gives me and my colleagues the most concern is the Compliance Officer provision. The Treasurer is liable for all purchases made with public funds. Having a Compliance Officer to monitor credit cards seems redundant to the process. As stated above, credit card transactions run under the same controls that all purchases do, therefore if the Compliance Officer is needed for these purchases, should they be needed for all purchases? I suggest the current accountability system already allows for proper checks and balances and adding a new mandate for a Compliance Officer is unnecessary and concerning. Does the compliance officer have any consequences or repercussions if fraud would occur? The necessity to add another title to the mix seems redundant as the Treasurer is still ultimately responsible.

Credit card rewards are another area of HB 312 where there are concerns. Credit card rewards are free money the District can earn by following their normal purchasing controls and procedures. A typical transaction by check has time, postage and bank fees associated with it, while the credit card company is rewarding the district for using their product. As we typically pay off the balance every month in one payment, we save many transactions and fees. Credit card rewards vary from card to card and district to district. The cash equivalency of rewards is not apparent to the normal person looking at the number. For example, 10,000 miles, 50,000 points, and a \$20 reward may all be equivalent in value. If we just report this into the Hinkle System, the results may be skewed or unknown. Reporting the rewards to our Board of Education annually would be a more reasonable and effective way to make the public aware of the value the district is receiving.

Possible outcomes from the proposed bill are the unintended consequences that might occur. Increased mandates in reporting and the added bureaucracy of the Compliance Officer requirement may cause districts to turn to a reimbursement policy where the employee pays and the district reimburses. However, if employees use their own credit cards there are greater risks from our standpoint. Personal cards will then be accruing points on their own personal level which becomes very hard to manage and monitor. Even with the controls in place for these reimbursement expenditures, the district loses the opportunity to receive their own rewards, something that has brought extra funds into many districts.

Finally, with proper Board policies and effective control procedures, we feel that credit cards are not any more susceptible (and likely less susceptible) to fraud than any other form of payment. Again, as a Treasurer, I believe internal controls are the best deterrent to fraud and adding additional mandates is not necessary. We don't object to requiring boards to have a credit card use policy and requirements that the treasurer periodically review the status of credit cards. However, districts should be permitted to develop and maintain their own financial controls in a manner that works best for them.

There is no guarantee the mandates contained in Sub. HB 312 will prevent the willful misuse of district funds. New legislation should take into account the accountability measures already in place in the majority of Ohio's school districts.

Thank you for your consideration. We'll be happy to address your questions.