



Legislative Post Audit Performance Audit Report Highlights

Highlights

K-12 Education: Efficiency Audit of the Prairie Hills School District

Report Highlights

March 2015 • R-15-005

Summary of Legislator Concerns

K.S.A. 46-1133 requires the Legislative Division of Post Audit to conduct a series of efficiency audits of Kansas school districts from fiscal year 2014 to fiscal year 2017. The audits are to include one small, one medium, and one large school district.

Prairie Hills school district volunteered for an audit in July 2014 in the medium-sized school district category.

Background Information

The Prairie Hills school district is located in Northeast Kansas, primarily in Nemaha and Marshall Counties.

The district served about 1,080 FTE students and had 161 FTE employees in the 2013-14 school year.

Three-year trend data show the district's student enrollment and staffing have declined, but expenditures per FTE students have increased slightly.

Prairie Hills has higher property values and lower free-lunch counts than the state average.

QUESTION 1: *Could the Prairie Hills school district achieve significant cost savings by improving resource management, and what effect would those actions have?*

Savings Options That Would Have Little to No Impact on Students or the Community and Should be Implemented

- The district could generate almost \$125,000 in savings and increased revenue by adopting more efficient food service practices and increasing meal prices.
 - The district transferred \$130,000 from its general fund to food service in school year 2013-14 because its food service operations were not self-sufficient.
 - The district could potentially save about \$100,000 in food supplies by adopting certain practices of its most efficient peer districts.
 - The district could reduce the need to transfer about \$15,000 to its food service program by eliminating free meals provided to 28 employees.
 - The district could generate an additional \$8,300 in revenue by bringing its student and staff meal prices in line with their peer districts.

Savings Options That Could Have a Moderate Impact on Students or the Community, and Should be Considered

- The district could save about \$85,000 by consolidating certain classes not filled to capacity and eliminating 1.5 FTE teaching positions.
 - Sabetha High School and Middle School offer multiple math, science and physical education classes that are not filled to capacity.
 - Consolidating classes not filled to capacity would allow the district to reduce three full-time teachers to part-time and save about \$85,000 a year.
 - It could be difficult to find teachers willing to work part-time although the district could consider sharing full-time teachers between buildings.
- The district could save about \$12,000 annually by ending its current practice of busing students who live less than 2.5 miles from their school.
 - The district has chosen to provide transportation services to about 90 students that it is not statutorily obligated to transport.
 - The district could eliminate one bus and one driver for about \$12,000 in annual savings by no longer transporting students who live within 2.5 miles of their school.
 - District officials expressed several concerns about eliminating transportation for the 58 Sabetha students within 2.5 miles of their school.

Savings Options that Could Have a Significant Impact on Students or the Community, but Should be Considered

- The district could save about \$460,000 annually by closing the Wetmore school and moving the students to Sabetha schools.
 - The Prairie Hills school district serves about 1,100 FTE students at three separate locations—Axtell, Wetmore, and Sabetha.
 - The Axtell and Wetmore schools have significantly smaller enrollments and spend about 15% to 20% more per student than the Sabetha schools.
 - Closing either the Wetmore or Axtell building could reduce district expenditures by about \$1.0 million in staff and building costs.
 - However, we estimate about 50% of Wetmore parents would likely transfer their students to another district which would reduce state funding, leaving a net savings of about \$460,000 by closing the Wetmore school.
 - For Axtell, we estimate about 95% of parents would likely transfer their students to another district which would reduce state funding, leaving a net loss of about \$190,000 by closing the Axtell school.
 - Closing either school building would face significant community opposition.
- The boundaries created by the Prairie Hills school district consolidation make achieving significant savings difficult.
 - Unlike most consolidated districts, the two districts that combined to form Prairie Hills are almost entirely geographically separate.
 - Prairie Hills' geographic separation makes it difficult for the district to implement cost saving measures typical of most consolidated districts.
 - Even if district officials take all actions noted in this report including closing a school building, the district will still have about a \$800,000 gap between estimated revenues and expenditures.
- The district could save \$80,000 by eliminating two low-enrollment programs and 1.5 FTE teaching positions.
 - The Axtell agriculture program and the Sabetha-Wetmore family and consumer science program serve only a few students.
 - The district could achieve net savings of \$80,000 per year by eliminating these two programs, which would reduce teaching staff by 1.5 FTE.
 - District officials told us that closing these programs would be very unpopular with community members and students.
- The district could save \$60,000 by consolidating four Sabetha kindergarten classes to three and eliminating one teaching position

Other Findings

- The district still has inadequate payroll controls to prevent fraud and abuse despite a 2013 payroll theft of \$35,000.
 - In 2013, the district's payroll clerk was caught embezzling about \$35,000 from the payroll system because of an inadequate separation of duties.
 - The district's separation of duties for processing most direct deposit payroll (85% of employees) is inadequate.
 - The district's separation of duties for processing physical checks (15% of employees) was better, but could be improved.
 - Although the district's payroll system is still vulnerable, we did not identify any fraudulent payroll payments.

In 2010, the school districts of Axtell and Sabetha-Wetmore consolidated to form USD 113 Prairie Hills. The state provides a financial incentive for districts that voluntarily consolidate with other districts.

Prairie Hills' funding will decrease by an estimated \$1.5 million when its five-year consolidation incentive ends June 2015.

- Unusually high spending limits and poor controls for some district purchasing cards increases the risk they could be misused.
 - Two purchasing cards used by district office staff have credit limits of \$100,000 each and weak controls.
 - Additionally, the assistant superintendent's credit card purchases are not sufficiently reviewed and approved.
 - We did not identify any questionable transactions based on our review of purchases made on all three cards.
 - The other five district credit cards appear to have adequate controls.

- The district has inadequate procedures and no policies for processing cash transactions.
 - The district does not adequately separate duties and does not have written policies for handling \$400,000 in school-related payments.
 - Although the district appears to have adequate separation of duties for about \$60,000 collected at the gate of sporting and extracurricular events, the district does not have written policies.

- The district's inventory is not complete or accurate because it is not regularly updated.
 - The district's written policy specifies that the district's inventory be checked and updated annually.
 - We found that the district inventory is incomplete and inaccurate because the district's policies are not being followed.

SUMMARY OF RECOMMENDATIONS

We made several recommendations to the Prairie Hills school district to either implement or consider implementing the cost savings options and financial control improvements we identified.

AGENCY RESPONSE

District officials generally concurred with the report's findings, conclusions, and recommendations. However, district officials raised concerns with some recommendations and reported that the district does not plan to take action on some items such as eliminating free meals for all staff and eliminating transportation for students who live less than 2.5 miles from the school.

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

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