



PERFORMANCE AUDIT REPORT

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

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
March 2015**

Legislative Division of Post Audit

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March 18, 2015

To: Members, Legislative Post Audit Committee

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This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Efficiency Audit of the Prairie Hills School District*.

In its response, the district concurred with most of the report's findings and recommendations. However, district officials raised concerns with some recommendations and reported that the district does not plan to eliminate free meals for staff.

More information on this issue can be found in *Appendix C* on page 41.

We would be happy to discuss the findings, recommendations, or any other items presented in this report with any legislative committees, individual legislators, or other state officials.

Sincerely,

Scott Frank
Legislative Post Auditor

This audit was conducted by Dan Bryan, Paige Asmann, and Clyde-Emmanuel Meador. Justin Stowe was the audit manager. Dr. Tom Vernon was a consultant. If you need any additional information about the audit's findings, please contact Dan Bryan at the Division's offices.

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

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. Like school efficiency audits conducted in previous years, the goal of these audits is to identify ways districts could reduce costs without affecting the education they provide students. Each year our office conducts audits of three school districts — one small (fewer than 500 students), one medium (500 to 4,000 students), and one large (more than 4,000 students). The law further stipulates that school districts be selected on a voluntary basis first and exempts school districts that have participated in a similar efficiency audit in the previous five years.

In July 2014, the Prairie Hills School district volunteered for an efficiency audit in the medium-sized school district category. This efficiency audit answers the following question:

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

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A*.

Our work included a variety of steps designed to answer the audit question. We identified 10 peer districts that had similar student demographics (e.g. a similar percentage of free-lunch students) to the Prairie Hills school district and compared them on various measures of efficiency. Based on those comparisons, we identified areas where the district's spending appeared to be relatively high. Detailed information about how we selected these peers, as well as the efficiency measures we calculated are included in *Appendix B*. We also interviewed district officials and toured the district's facilities to gain a better understanding of district operations. Where applicable, we compared district operations, controls, and processes to best practices to determine if they were adequate. Finally, we consulted with an experienced Kansas education administrator who provided feedback and guidance on our cost savings options.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the

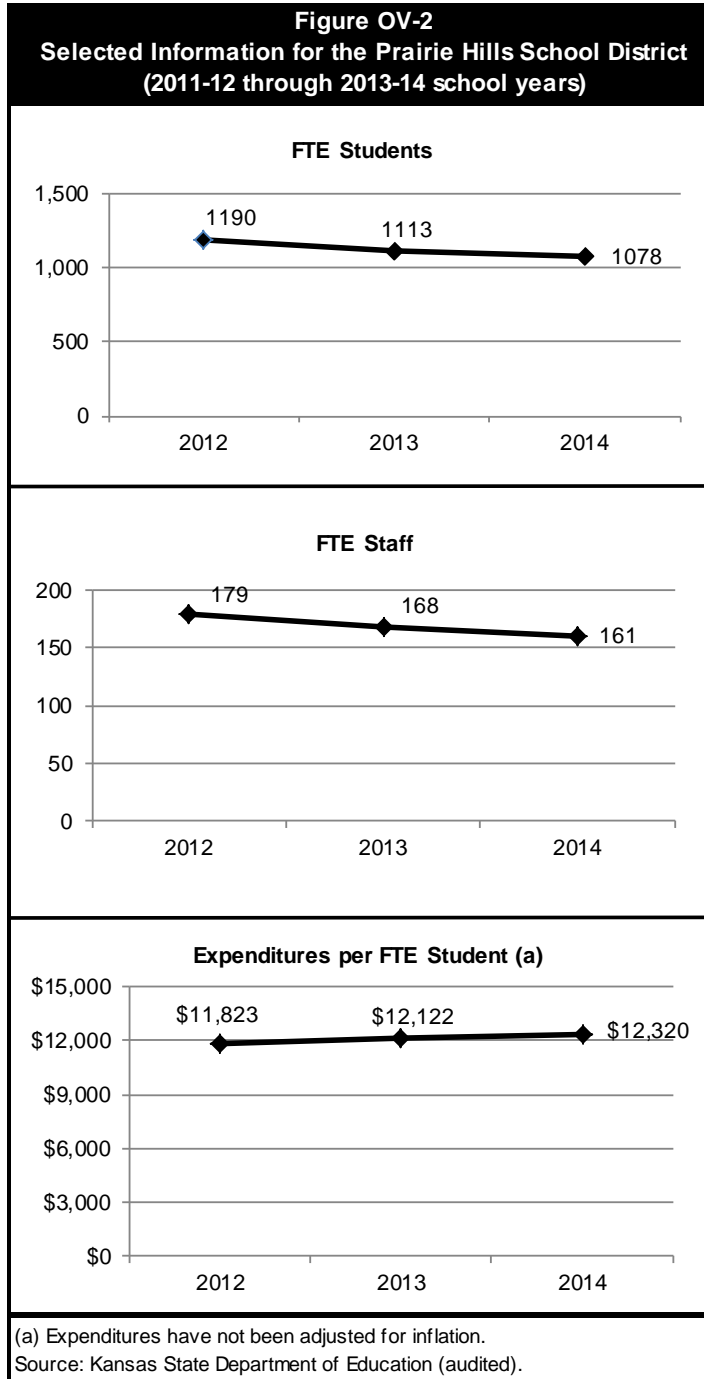
evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our work included a review of the district's internal controls for its payroll system and procurement cards.

Our findings begin on page 9, following a brief overview of the Prairie Hills School District.

high school in Sabetha, and a K-12 school in both Axtell and Wetmore. There is also a neighboring district—Nemaha Central—that splits the district geographically.

During the last three years the Prairie Hills school district’s student enrollment and staffing levels have declined, but expenditures per full-time-equivalent (FTE) student have increased slightly. *Figure OV-2* below, shows three- year trends for student enrollment, staffing, and expenditures per FTE student for the Prairie Hills School district.



As the figure shows:

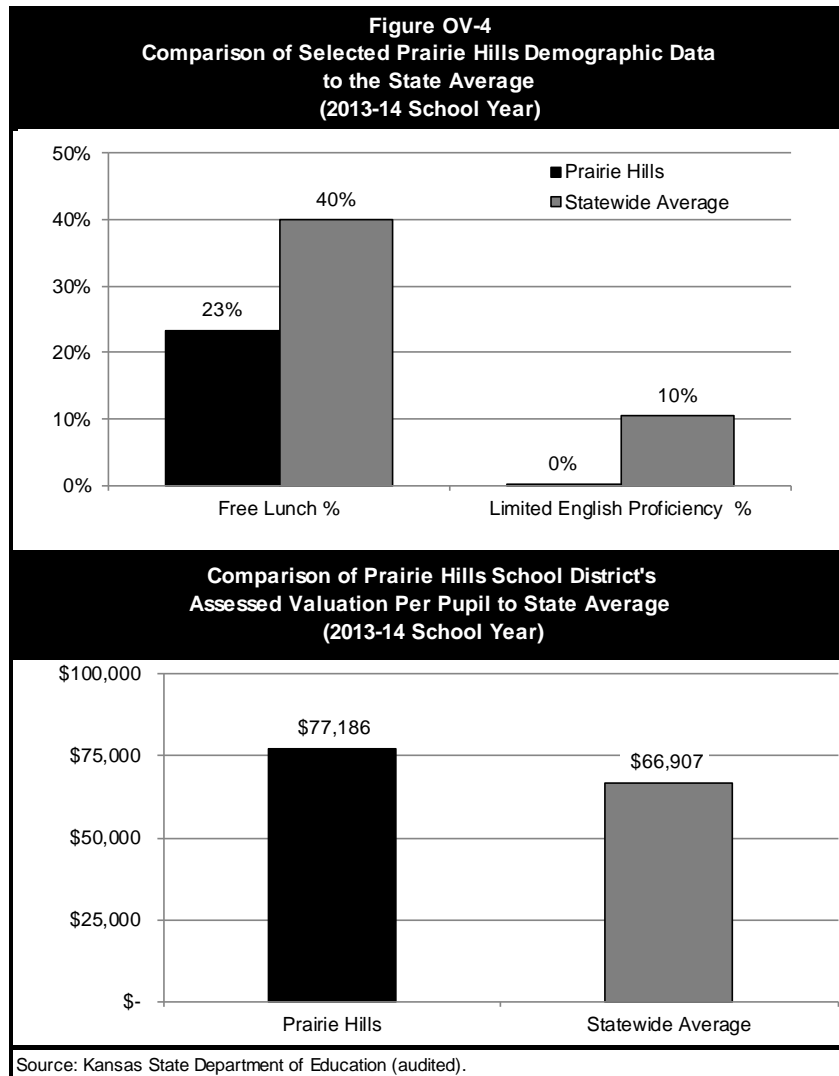
- **The district's student enrollment has declined by about 9%.** The district had 1,078 FTE students for the 2013-14 school year, compared to 1,190 in 2011-12.
- **The district's staffing levels have declined by about 10%.** The district employed about 161 FTE positions in the 2013-14 school year, compared to 179 FTE positions in 2011-12.
- **The district's expenditures per FTE student have increased by 4%.** The district spent about \$12,320 per FTE student for the 2013-14 school year compared to \$11,823 in 2011-12.

Figure OV-3 below summarizes district expenditures for the 2013-14 school year.

Figure OV -3 2013-14 Expenditures For the Prairie Hills School District			
Category	Total	\$ Per FTE Student	% of Total
All District Expenditures (a)			
Regular Education	\$10,678,245	\$9,904	77%
Special Education	\$1,328,819	\$1,232	10%
KPERS (b)	\$730,695	\$678	5%
Other	\$1,139,441	\$1,057	8%
Total (d)	\$13,877,200	\$12,871	100%
Expenditures Evaluated in This Audit (c)			
Expenditures by Function			
Instruction	\$5,872,008	\$5,446	56%
Operations & Maintenance	\$1,063,527	\$986	10%
Instruction Support	\$434,950	\$403	4%
School Administration	\$730,362	\$677	7%
Food Services	\$714,468	\$663	7%
Student Support	\$220,210	\$204	2%
Transportation	\$521,488	\$484	5%
District Administration	\$849,886	\$788	8%
Total (d)	\$10,406,899	\$9,652	100%
Expenditures by Object			
Salaries	\$7,209,645	\$6,687	69%
Benefits	\$942,419	\$874	9%
Purchased Services	\$780,581	\$724	8%
Supplies	\$1,395,328	\$1,294	13%
Other	\$78,926	\$73	1%
Total (d)	\$10,406,899	\$9,652	100%
(a) Totals exclude property and equipment.			
(b) The state pays the employer portion of KPERS for the district.			
(c) Total excludes property and equipment, special education, and certain categories such as construction and debt service.			
(d) Totals may not add due to rounding.			
Source: Kansas Department of Education (audited).			

As the figure shows, total district expenditures for that year were about \$16.6 million. Our analysis focused on \$10.4 million in expenditures in areas such as instruction, operations and maintenance, and school administration. Also, our analysis excludes special education and property and equipment expenditures throughout the report. That is because districts provide special education services in a variety of ways, so including them would distort comparisons across districts. Additionally, property and equipment purchases were excluded because they can vary significantly from year to year.

The Prairie Hills school district has higher property values and lower free lunch counts than the state average. *Figure OV-4* below compares the percentage of students who receive free lunches, have limited English proficiency, and the assessed valuation per pupil in the Prairie Hills school district to the state average. As the figure shows, the district had 23% of students receiving free lunch, which is 17% below the state average.



The District's Funding Will Decrease By an Estimated \$1.5 Million in School Year 2015-16 When Its Consolidation Incentive Ends

The State of Kansas provides a financial incentive for districts that voluntarily consolidate with other districts. Under the state's school finance formula, two smaller districts typically receive more in state funding than a single larger district. That is largely because smaller school districts receive more low-enrollment funding than larger districts, which creates a financial hurdle for districts that are considering consolidation. To help alleviate this, K.S.A 72-6445a allows districts that consolidate to retain their pre-consolidation funding for several years. After the consolidation incentive ends, the consolidated district is funded as a single, larger district—typically an amount less than the total each individual district received.

In 2010, the school districts of Axtell and Sabetha-Wetmore consolidated to form USD 113 Prairie Hills. Axtell was a small district that served about 295 students and was seeking a consolidation partner to reduce the financial cost of its operations. Axtell attempted to consolidate with the small neighboring district of Baileyville but the negotiations fell through. The Sabetha-Wetmore district served about 925 students and was facing a funding decrease due to the financial recession. The district chose to consolidate to avoid making budget cuts by taking advantage of the financial consolidation incentive. Sabetha-Wetmore officials anticipated that school funding would rebound by the time its consolidation incentive ran out. The newly formed Prairie Hills school district qualified for five years of pre-consolidation funding under the consolidation incentive.

Prairie Hills will receive \$1.5 million less in funding when its five-year consolidation incentive ends June 2015. The consolidation incentive held Prairie Hills' revenues constant at the pre-consolidation level of \$7.6 million for five years. In the 2015-16 school year, Prairie Hills' consolidation incentive will end and the district will receive only \$6.2 million in revenue, which is \$1.5 million less than the current school year. Local option budget and federal revenues will not be affected by the loss of consolidation incentive.

Although the efficiency actions we identified in this audit can help the district reduce the impact of its pending revenue reduction, the focus of this audit was not to close this revenue shortfall. Our efficiency audits are intended to help school districts identify options that would provide the same level of education with less resources or to provide more educational services with the same resources.

Question 1: Could the Prairie Hills School District Achieve Significant Cost Savings by Improving Resource Management, and What Effect Would Those Actions Have?

We identified a number of opportunities for the district to operate more efficiently and reduce its costs or generate additional revenue. We categorized those options into three groups based on their potential impact on students and the community (p. 11).

First, we identified options that would have little to no impact on students or the community. We estimated the district could generate \$125,000 in savings and increased revenue by adopting more efficient food service practices and increasing meal prices (p. 12).

Next, we identified two options that would have a moderate impact on students or the community. The district could save about \$85,000 by consolidating certain classes not filled to capacity and eliminating 1.5 FTE teaching positions (p. 15). Additionally, 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 (p. 17).

In addition, we identified three options that would have a significant impact on students or the community. We estimate the district could save about \$460,000 annually by closing the Wetmore school and moving the students to Sabetha schools (p. 19). Additionally, the district could save \$80,000 by eliminating two low-enrollment programs and 1.5 FTE teaching positions (p. 23). Further, the district could save \$60,000 by consolidating four Sabetha kindergarten classes to three and eliminating one teaching position (p. 24).

Finally, we found that the boundaries created by the Prairie Hills school district consolidation make achieving significant savings difficult (p. 21). Additionally, we found the district has inadequate controls and written policies for processing payroll, making purchases with credit cards, processing cash transactions, and maintaining an inventory (p. 24).

The Prairie Hills School District Volunteered for this Efficiency Audit and Reported Taking Many Actions to Reduce Costs During the Last Several Years

The Prairie Hills School district volunteered for an efficiency audit through our division in July 2014. This audit focuses on ways in which Prairie Hills can provide the same quality of educational services using fewer resources, or could use existing resources more productively.

District officials reported taking many actions during the past several years to improve the district's efficiency and reduce costs by an estimated \$700,000. District officials provided a list of cost savings actions they have already taken which included:

- **The district closed two school buildings.** The district closed buildings in the towns of Bern and Summerfield and moved those students to the school building in Axtell in 2012 and 2014, respectively.
- **The district reduced personnel costs through eliminating some teaching and non-teaching positions and reducing staff overtime.** District officials reported eliminating some positions such as two instructional coordinators and the maintenance supervisor. The district also experienced turnover savings when they replaced several experienced teachers with new staff.
- **The district reduced operating costs by lengthening each day and reducing its total number of school days each year.** Since 2014, the district has reduced the number of school days by 10.5 days. This saves the district in non-instruction-related costs such as utilities, transportation, and custodial staff.
- **The district took several other cost savings steps.** Those steps include actions such as eliminating free meals provided to certain staff and contracting with a company to monitor the district's energy use.

District officials did not track the cost savings for all efficiency actions taken in previous years. However, they tracked some and estimated savings at about \$700,000. We did not perform any audit work to verify these reported actions.

We Interviewed District Officials and Staff, Analyzed District Expenditures, and Toured District Facilities to Identify Potential Cost Saving Options

We reviewed district operations to identify potential areas where the district could reduce costs or generate revenues. In doing this work we:

- compared Prairie Hills' school district expenditures to its peers on a per-student basis. We selected 10 other school districts whose demographics were similar in terms of size, property values, poverty levels, and students that have limited English proficiency. **Appendix B**, provides a list of these peer districts. We then compared Prairie Hills' school district expenditures on a per-student basis to peer districts to identify potential outliers.

- surveyed all Prairie Hill's district staff to identify potential inefficiencies. In total, we received 103 responses for a response rate of 41%. Of those who responded, 24% reported the district operated inefficiently and mentioned room for improvement in areas such as reducing travel for staff and eliminating some programs including Family and Consumer Science.
- interviewed Prairie Hills' school district officials and staff and toured school buildings to better understand and observe district operations.
- interviewed officials in other similar Kansas school districts and officials at the Kansas State Department of Education (KSDE).
- consulted with an experienced Kansas public schools administrator to provide feedback on the feasibility and impact of our potential cost savings options.

We categorized the potential cost savings options we identified based on their potential impact on students and the community. As in previous audits, we categorized savings options into three groups:

- **Options that would have little to no impact on students or the community and should be implemented.** Some of these options may affect students' daily routines, but will have little effect on students' instructional experience. For example, improving the efficiency of food operations would result in savings but have little impact on students.
- **Options that could have a moderate impact on students or the community, but should be considered.** These options will have some effect on student activities or interaction. For example, consolidating low enrollment courses would increase average class sizes or potentially reduce scheduling flexibility.
- **Options that could have a significant impact on students or the community, but should be considered.** These options could potentially yield the largest savings, but likely will also affect student instruction or the community in significant ways. For example, closing the Wetmore school would have a significant impact on the students who attend that school.

District officials raised a number of concerns about the effect many of the cost savings options would have on students or the community. We could not fully assess the impact of some of these concerns, but we summarized and included them in this report.

SAVINGS THAT WOULD HAVE LITTLE TO NO IMPACT ON STUDENTS OR THE COMMUNITY, AND SHOULD BE IMPLEMENTED

The options presented in this section likely would have little to no impact on students or the community. For example, eliminating free meals for some staff would not affect students' educational experience.

Figure 1-1 below summarizes the cost savings and revenue enhancements in this category. As the figure shows, the district could achieve about \$125,000 in savings and increased revenues if it chose to adopt more efficient practices in its food service program and increase meal prices. The figure also lists district officials' concerns, as well as our assessment of those concerns.

Figure 1-1 Summary of Cost Savings or Revenue Generating Options for the Prairie Hills School District With a <u>Low Impact</u> on Students or the Community			
Option	Annual Cost Savings/ Increased Revenues	School District Officials' Concerns	LPA Assessment of District Officials' Concerns
Adopt More Efficient Food Service Operation Practices and Increase Meal Prices	\$125,000	Purchasing from a single vendor for the majority of food supplies could be difficult. Increasing meal prices will likely not be popular with the community.	The district's food service program is not self-sufficient. District officials have not explored the option of using a single vendor, peer districts have found ways to use a single vendor, and we identified one vendor that appears to have the ability to be the district's primary vendor. Also, increasing the meal prices would bring the district in line with its peers.
Total District Savings	\$125,000		

Source: LPA analysis of audited district and KSDE data and interviews with district officials.

The District Could Generate \$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. It is not uncommon for small and medium-sized districts to have difficulty making their food service program self-sufficient. If the program's expenditures exceed its revenues, district officials must transfer money from the general fund (which can be used in any area of the school) into the food service fund to cover the difference. If the district could reduce these transfers, that money could be used to cover other district expenditures.

We compared Prairie Hills to its peers and found that Prairie Hills transferred significantly more money into its food service operations. Nine of the district's 10 peer districts transferred \$0 to \$30,000 into the food service program. Reducing Prairie Hills' transfers to the level of its peer's results in about \$100,000 in funding available for other services including instruction.

The district could potentially save about \$100,000 in food supplies by adopting certain practices of its most efficient peer districts. In school year 2013-14, the district spent about \$150 more per student on food service than the average of its peer districts. About \$100 of that difference was in food service supplies. We interviewed officials from five of Prairie Hill's most efficient peers to understand the processes they use to operate an

efficient food service operation. While it is difficult to determine exactly what the cause is for the high supply costs, it appears the Prairie Hills district could potentially increase the efficiency of its food service operations by adopting two practices of its five most efficient peer districts.

- **The district could purchase its food supplies from a single vendor.** Prairie Hills purchases about 50% of its food supplies from one vendor and the remaining purchases are generally spread among three others. In comparison, four of the five most efficient peer districts purchase between 80% and 99% of their food supplies from a single vendor. Purchasing from a single vendor may allow the district to leverage its buying power to lower its food supply costs. District officials said they have not fully explored the possibility of using a single food vendor for its food supplies in the past.
- **The district could improve the accuracy of its expected meal counts to avoid wasting food supplies by training teachers on proper procedures.** A district official said that the count of students planning to eat lunch each day is sometimes too high, which causes staff to prepare food that is thrown away. By contrast, the districts five most efficient peer districts reported that their meal counts are generally accurate. At Prairie Hills, teachers are responsible for counting and reporting the number of students eating each day. District officials told us their counts are inaccurate because teachers often estimate the number of students planning to eat. Officials also said the district does not train teachers on reporting practices and does not have written policies and procedures in this area.

District officials told us that improving the accuracy of its food counts is possible. District officials also said it may be difficult to purchase from a single vendor to meet all their federal food requirements, but officials have not yet explored this option. Prairie Hills' peer districts demonstrate that it is possible to rely primarily on a single vendor. Furthermore, we contacted one vendor currently serving the Prairie Hills district. Company officials told us the company has the capacity to act as the district's primary vendor and meet federal requirements.

The district could reduce the need to transfer about \$15,000 to its food service program by eliminating free meals provided to 28 employees. In school year 2014-15, the district offered free meals to 28 employees. Offering free meals to some staff is a common practice in school districts, but is not required. The district recently reduced the number of employees receiving free meals from 52 to 28. However, if the district stopped providing free meals to the remaining 28 employees, it would either save up to \$15,000 in costs or would generate that amount of revenue by charging employees for the meals. This estimate assumes that the 28 employees eat 75% of the meals they are entitled to throughout the school year.

The district could generate an additional \$8,300 in revenue by bringing its student and staff meal prices in line with their peer districts. Like its peer school districts, Prairie Hills varies its breakfast and lunch prices by elementary students, middle school students, high school students, and adults.

- **Prairie Hills lags by as much as \$0.35 behind the average meal prices charged by its peers.** Although the district has raised its meal prices in recent years, its average breakfast price of \$1.40 is about \$0.20 lower than its peers and its lunch price of \$2.75 is about \$0.05 lower.
- **Increasing meal prices—primarily high school lunch and elementary breakfast prices—could generate an additional \$8,300 in annual revenue.** Increasing high school lunch prices from \$2.60 to \$2.70 could generate an additional \$4,500 each year. Similarly, raising elementary breakfast prices from \$1.15 to \$1.50 would generate about \$2,300 in additional annual revenue. Finally, increasing all other meal prices to the district's peer average would generate about \$1,500 in additional annual revenue.

Several potential barriers could limit how much additional meal revenue the district could generate. Increasing prices of meals will likely not be popular with the district's community. Additionally, our calculation of savings is based on a one-time price increase. However, in order for Prairie Hills to charge the same prices as its peers, some of the price increases would be large and may need to be phased in over several years.

SAVINGS THAT WOULD HAVE MODERATE IMPACT ON STUDENTS OR THE COMMUNITY, AND SHOULD BE CONSIDERED

The options presented in this section could have a moderate impact on students or the community. For example, consolidating some math classes not filled to capacity would potentially reduce scheduling flexibility for some students.

Figure 1-2, on the next page, summarizes the cost savings in this category. As the figure shows, the district could achieve up to about \$100,000 in savings if it chose to implement all options. Those options include:

- Fill certain classes to capacity and eliminate several teaching positions
- Stop providing transportation for students that live within 2.5 miles of their school

The figure also lists district officials' concerns, as well as our assessment of those concerns.

**Figure 1-2
Summary of Cost Savings or Revenue Generating Options for the Prairie Hills School District
With a Moderate Impact on Students or the Community**

Option	Annual Cost Savings/ Increased Revenues	School District Officials' Concerns	LPA Assessment of District Officials' Concerns
Eliminate 1.5 Teaching Positions by Consolidating Classes That Have Low Enrollments (a)	\$85,000	It would be difficult to find teachers willing to work part-time.	We have found other districts employing part-time teachers. However, the district could also consider sharing teachers between buildings or with other districts if they have difficulty finding part-time teachers.
Eliminate One School Bus and Driver by Not Transporting Students That Live Less Than 2.5 miles from Sabetha Elementary, Middle, and High Schools.	\$12,000	This would increase the burden on parents to provide transportation as well as increasing travel time for students.	The district will need to weigh parent convenience against the additional savings this creates for the district.
Total District Savings	\$97,000		
<small>(a) Additionally, the state would save around \$10,500 annually in KPERS contributions if the district took this action. This option cannot be combined with the building closure option on page 19 because the classes we analyzed would no longer have low enrollments. Source: LPA analysis of audited district and KSDE data and interviews with district officials.</small>			

The District Could Save About \$85,000 by Consolidating Certain Classes not Filled to Capacity and Eliminating 1.5 FTE Teaching Positions

We evaluated district enrollment information to identify any district class that was offered multiple times but was not filled to capacity. Axtell and Wetmore are smaller schools and generally did not offer the same class multiple times so our analysis focuses on classes offered in Sabetha.

Sabetha High School and Middle School offer multiple math, science and physical education classes that are not filled to capacity. District officials said that they try to keep their class size below 22 to 23 students. However, we identified several classes offered multiple times with enrollments as low as 7 students. **Figure 1-3** on page 16 shows the effect that consolidating classes not filled to capacity has on average class size.

As the figure shows:

- The district offers multiple sections of several classes at the high school and middle school with average student enrollments of 16 students or less.
- Reducing the number of class offerings for certain classes and consolidating the students into the remaining classes increases average class size by four to six students. However, the new averages do not exceed the district's maximum class size goal of 23 students.

Figure 1-3
The Effect on Average Class Sizes of Consolidating Classes Not Filled to Capacity

Class	Current		After Consolidation		Increase in Average Class Size
	# of periods offered	Average Class Size	# of periods offered	Average Class Size	
Sabetha Middle School					
6th Grade PE	4	16	3	21	5
7th Grade PE	4	16	3	21	5
8th Grade PE	4	16	3	21	5
6th Grade Science	4	15	3	20	5
7th Grade Science	4	16	3	21	5
8th Grade Science	4	16	3	21	5
Sabetha High School					
Algebra 1	3	10	2	16	5
Algebra 2	4	13	3	18	4
Geometry	4	13	3	17	4
Trigonometry and Precalculus	3	11	2	17	6

Source: LPA analysis of audited and unaudited district and KSDE data and interviews with district officials.

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. These classes are taught by a total of seven teachers. Reducing the number of multiple class offerings not filled to capacity by one class each allows the district to reduce three of the seven full-time teachers to part-time teachers. This eliminates 1.5 total FTE and generates savings of about \$85,000 in salary and benefits.

It could be difficult to find teachers willing to work part-time although the district could consider sharing full-time teachers between buildings. Based on a preliminary analysis, the district could reduce 1.0 FTE teacher by sharing one physical education teacher between the high school and middle school. This option may raise average class sizes up to 26 students which is above the district's preferred maximum, and would require changes to the district's class schedule. However, it is common for school districts to split a teacher's time between two buildings or two districts in attempt to reduce expenditures or improve class offerings. If the district is not able to share a teacher, it could be difficult for the district to find teachers willing to teach part-time.

The state would also save about \$10,500 in KPERS funding by eliminating these teaching positions. The state pays for the employer's share of KPERS benefits for school districts. Any changes in staffing or operations will likely take place in the next school year. For school year 2015-16, the state is scheduled to pay

about 13% of an employee's salary. When savings are achieved through a reduction in district staff salaries, there is a subsequent reduction in the employers' KPERS contribution. In this case, reducing the district's staff salaries by about \$85,000 would also reduce the state's KPERS obligation by around \$10,500.

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

Currently, the Prairie Hills school district transports about 600 students to and from five different schools. The district's 13 routes cover over 51 square miles.

The district has chosen to provide transportation services to about 90 students that it is not statutorily obligated to transport. State law requires school districts to provide transportation services only to students who live more than 2.5 miles from the school building. While K.S.A 72-8302 sets this threshold, it does not prohibit districts from choosing to provide transportation services to all students in the district regardless of how close they live to their school. Prairie Hills officials have chosen to provide transportation services to 91 students who live outside the city limits but who live less than 2.5 miles from the school.

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. Of the 91 students, 58 students attend Sabetha schools, 24 attend the Axtell school, and 9 attend the Wetmore school. Each Sabetha school bus transports an average of 55 students. The district's transportation director told us the district could eliminate one bus route and driver if they stopped providing transportation to the 58 students in Sabetha within 2.5 miles of their school. The annualized cost savings of replacing a bus and eliminating a bus driver's salary would generate about \$12,000 in annual savings. The district would likely realize some marginal savings in fuel, maintenance, and insurance but we did not attempt to quantify those savings.

Eliminating transportation services to the remaining 33 students bused within 2.5 miles of their school in Axtell and Wetmore would not result in any bus route reductions. Consequently, eliminating transportation services for these students would not result in any cost savings for the district.

District officials expressed several concerns about eliminating transportation for the 58 Sabetha students within 2.5 miles of their school. District officials expressed concern that no longer providing transportation to these students places an increased burden on the students' parents to provide transportation.

Furthermore, consolidating bus routes would likely increase the travel time for some students. However, according to the district's transportation director, the routes could likely be structured so that students would not be on the bus for longer than one hour.

SAVINGS THAT WOULD HAVE SIGNIFICANT IMPACT ON STUDENTS OR THE COMMUNITY, BUT SHOULD BE CONSIDERED

The cost savings option presented in this section would have a significant impact on students or the community. Specifically, closing a school would require a number of students to attend a new school and would significantly impact the community.

Figure 1-4 summarizes the cost savings in this category. As the figure shows, we estimated the district could save about \$540,000 in savings if it chose to implement all options. Those options include:

- Closing the Wetmore school and moving the students to Sabetha schools.
- Eliminating certain programs that have low enrollment.
- Consolidating the Sabetha Elementary four Kindergarten classes into three classes.

The figure also lists district officials' concerns, as well as our assessment of those concerns.

Figure 1-4 Summary of Cost Savings or Revenue Generating Options for the Prairie Hills School District With a Significant Impact on Students or the Community			
Option	Annual Maximum Cost Savings/ Increased Revenues	School District Officials' Concerns	LPA Assessment of District Officials' Concerns
Close the Wetmore School Building and Move the Students to Sabetha Schools (a)	\$460,000	Closing this building would face significant community opposition. There is also an existing bond on the Wetmore building and there would be increases in travel time and class sizes.	Closing a school can be a difficult decision. However, higher costs per student and the district's budget cuts warrant consideration of all options.
Eliminate 1.5 FTE Teaching Positions by Closing the Low-Enrollment Agriculture Program and Family and Consumer Science Program (b)	\$80,000	Closing these programs would be very unpopular in the community.	The district would need to work with the community to weigh the costs and benefits of providing these programs to only a few students.
Eliminate a Kindergarten Teaching Position by Consolidating Four Classes to Three at Sabetha Elementary (c)	\$60,000	None	None
Total District Savings	\$540,000 (d)		
(a) Additionally, the state would save around \$129,000 annually in KPERS contributions if the district took this action. (b) Additionally, the state would save around \$10,500 annually in KPERS contributions if the district took this action. (c) Additionally, the state would save around \$7,000 annually in KPERS contributions if the district took this action. Moreover, this action could not be combined with closing Wetmore as the teaching position would be needed for the increased student population at Sabetha. (d) The total savings represents the district taking the first two actions noted in the table. The final action as noted above can not be combined with closing the Wetmore school building. Source: LPA analysis of audited district and KSDE data and interviews with district officials.			

The District Could Save About \$460,000 Annually by Closing the Wetmore School and Moving the Students to Sabetha Schools

As a school building's enrollment declines, school officials sometimes decide it is necessary to consolidate the students into a combined location. This allows the district to take advantage of economies of scale in terms of staffing, and also results in reduced operational costs such as utilities and insurance.

The Prairie Hills school district serves about 1,100 FTE students at three separate locations—Axtell, Wetmore, and Sabetha. As *Figure OV-1* on page 3 shows, the Prairie Hills school district has five school buildings: an elementary school, a middle school, and a high school in Sabetha, as well as a K-12 school in both Axtell and Wetmore. There is also a neighboring district—Nemaha Central—that sits between the east and west borders of the district.

The Axtell and Wetmore schools have significantly smaller enrollments and spend about 15% to 20% more per student than the Sabetha schools. Sabetha schools have a total K-12 enrollment of about 700 FTE students while Axtell and Wetmore have about 170 FTE students each. Larger student enrollments typically result in lower costs per student because fixed costs, in areas such as school administration or operations and maintenance, can be spread across a larger student population.

Closing the Wetmore building would result in a net savings of about \$460,000 in savings through reduced staff and building costs. *Figure 1-5* on the next page shows the savings and costs of closing each school building in the district.

As the figure shows:

- **Closing either the Wetmore or Axtell building could reduce district expenditures by about \$1.0 million in staff and building costs.** Those savings are achieved by eliminating administrators, teaching positions, classified staff (e.g. janitors and food service staff), and building utility expenditures. Additionally, the state would also save about \$125,000 annually for each building in KPERS contributions for the eliminated staff.
- **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.** When a student leaves a school district the state funding follows the student. Our analysis of recent closures in the Prairie Hills district and another district nearby showed an overall drop in total district enrollment of about 7% following a building closure. A 7% decrease in student enrollment in the Prairie Hills district is about 85 students, or 50% of the students currently attending 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**. We estimate significantly more Axtell students would leave the district based on our conversations with district officials and the unique geographic location of Axtell (it is almost completely separated from Sabetha and Wetmore by another school district, Nemaha Central). Although closing Axtell would not generate a net benefit to the district, keeping Axtell open presents ongoing challenges for the district in terms of sharing resources and realizing other economies of scale

Figure 1-5
Summary of Savings and Costs Associated with the Closure of Wetmore and Axtell School Buildings in the Prairie Hill School District

Savings and Costs Related to School Building Closure	Wetmore		Axtell	
	FTE	\$	FTE	\$
Savings				
Certified Employees (teachers/admin)	15.4	\$777,000	15.8	\$708,000
Classified Employees	6.6	\$194,000	7.4	\$219,000
Supplemental Pay (a)	--	\$56,000	--	\$49,000
Utilities	--	\$43,000	--	\$45,000
Savings Subtotal		\$1,070,000		\$1,021,000
Offsetting Revenue Loss				
Estimated Students Leaving the District				
Total Students (SY 2013-14)	171	--	172	--
Estimated Attrition Percent	50%	--	95%	--
Total Students Leaving	85	--	163	--
Loss of General Fund Revenue				
General Fund Revenue Loss per Pupil	--	\$6,501	--	\$6,501
Total General Fund Loss (b)	--	\$468,000	--	\$932,000
Loss of Local Option Budget Authority				
Local Option Budget Authority Loss per Pupil	--	\$1,950	--	\$1,950
Total Local Option Budget Authority Loss (c)	--	\$141,000	--	\$279,000
Revenue Loss Subtotal		\$609,000		\$1,211,000
District Net Savings		\$461,000		(\$190,000)

(a) Supplemental pay is extra pay for extra responsibilities such as coaching.
 (b) A decrease in enrollment would lead to a marginal increase in low-enrollment funding which would offset some of the funding loss. We have accounted for this in our analysis.
 (c) A decrease in enrollment would lead to a decrease in the district's local option budget because the local option budget authority is tied directly to the district's general fund.
 Source: LPA analysis of audited and unaudited district and KSDE data and interviews with district officials.

Finally, as part of our school building closure analysis, we evaluated whether Sabetha schools had enough capacity to absorb Wetmore students. Our analysis showed that Sabetha schools could absorb Wetmore students without requiring additional teachers or significantly increasing class sizes. However, this analysis assumes that only about 50% of Wetmore students would remain in the district following a building closure.

Closing either school building would face significant community opposition. There are numerous considerations and barriers in closing a school building. For example, closing a school in small town can have a significant impact on the local economy because of the teaching and staff positions eliminated. Moreover, students would attend school in a different town and could face increases in transportation time and class sizes. Finally, the Wetmore building has an outstanding bond obligation that could make selling the building more difficult. However, the district recently closed and sold school buildings in Bern and Summerfield that also had existing bonds.

*The Boundaries
Created by the Prairie
Hills School District
Consolidation Make
Achieving Significant
Savings Difficult*

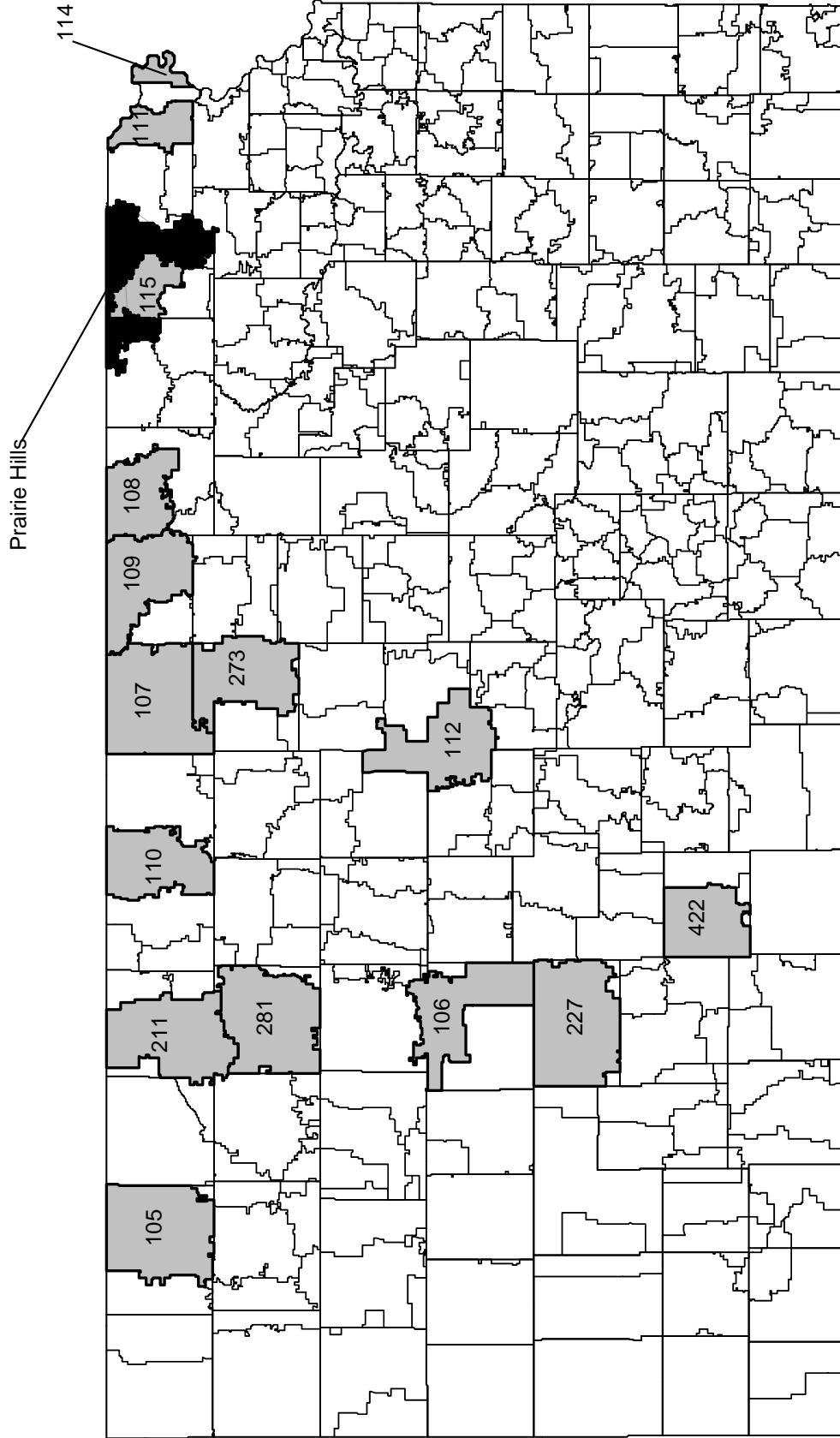
Districts that consolidate are typically located next to each other, which facilitates the consolidation of resources and increases operational efficiencies. The incentive helps consolidating districts transition into a single contiguous district. The single district can share facilities and resources between schools or consolidate into a single location. *Figure 1-6* on page 22 shows a map of consolidated district boundaries across the state. As the figure shows, the boundaries of the consolidated district typically form a logical shape to aid in the district's streamlining process.

Unlike most consolidated districts, the two districts that combined to form Prairie Hills are almost entirely geographically separate. As shown in *Figure OV-1* on page 3 and *Figure 1-6* on page 22, the two districts that consolidated to form Prairie Hills were Sabetha-Wetmore on the east side of the district and Axtell on the west side of the district. In between is the Nemaha Central district, a medium-sized school district serving about 557 students that separates the eastern and western halves of the district. With the exception of a small piece of joining territory along the Kansas-Nebraska border, the Prairie Hills district is almost a non-contiguous consolidated school district.

However, as shown in *Figure 1-6* on page 22, there is a medium-sized school district serving about 557 students that separates the eastern and western halves of the district, making Prairie Hills an almost non-contiguous consolidated school district.

Prairie Hills' geographic separation makes it difficult for the district to implement cost saving measures typical of most consolidated districts. The separation presents unique challenges for the district in sharing resources and facilities. For example, if district officials choose to close the school in Axtell to reduce

Figure 1-6
Map of Consolidated Districts in Kansas, Fiscal Year 2002 - 2014



Source: LPA generated map of school districts based on unaudited KSDE consolidation information.

expenditures, our analysis on page 20 shows that Prairie Hills will likely experience a net loss because of the number of students expected to leave the district. This is largely a result of the geographic separation of Axtell and the location of the Nemaha Central school district.

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. As noted in the overview, once the consolidation incentive ends in school year 2015-16, the district will face a reduction in revenue of about \$1.5 million. The cost savings actions in this report represent about \$700,000 in savings, leaving a gap between revenues and expenditures of about \$800,000. Sometimes districts can eliminate large budget gaps by consolidating students into a single location; however, the geography of the district makes this unlikely. As noted on page 10, the district estimates it will reduce expenditures by about \$700,000 by the end of school year 2014-15. We did not perform audit work to verify these reported actions. However, if these savings are achieved the gap between revenues and expenditures would be further reduced to about \$100,000.

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. These two programs are both career and technical education programs. The agriculture program has classes on plant and soil science, animal science, and agricultural mechanics. The family and consumer science program teaches classes such as human growth and development, nutrition and wellness, and early childhood development.

- **The agriculture program at Axtell consists of four classes that serve a total of 28 students, or about 0.02% of the district's total enrollment.** A part-time teacher teaches these classes at Axtell.
- **The family and consumer science program shared between Sabetha and Wetmore consists of six classes that serve a total of 43 students, or about 0.04% of the district's total enrollment.** These classes are taught by a full-time teacher at Sabetha High School and offered to Wetmore students via distance learning. The student enrollments include all students at both locations.

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. This would eliminate the full-time family and consumer science position and the part-time agriculture teacher. These programs are career and technical education programs, so student enrollment in these programs receive more funding than

regular classes. If the programs were eliminated, the district would lose \$19,000 in technical education funding. Our savings estimate includes this loss of funding, but does not include any savings related to a reduction of equipment and supplies for these programs. District officials told us that closing these programs would be very unpopular with community members and students.

This action would also save the state about \$10,500 in KPERS contributions per year. As noted earlier, the state pays for the employer's share of KPERS benefits. Eliminating 1.5 FTE teaching positions would also reduce the state's contribution.

The District Could Save \$60,000 by Consolidating Four Sabetha Kindergarten Classes to Three and Eliminating One Teaching Position

Currently, Sabetha Elementary School operates four kindergarten classes with an average class size of about 14 students. By contrast, the average kindergarten class among Prairie Hills' peer districts was about 18 students. Eliminating one Sabetha kindergarten class and teaching position would increase class sizes to 18 students, and generate about \$60,000 in salary and benefit savings. The district superintendent said that eliminating one kindergarten class is a feasible action for the district to take.

This action would also save the state about \$7,000 in KPERS contributions per year. As noted earlier, the state pays for the employer's share of KPERS benefits. Eliminating one FTE teaching position would also reduce the state's contribution to KPERS.

OTHER FINDINGS

The District Still Has Inadequate Payroll Controls to Prevent Fraud and Abuse Despite a 2013 Payroll Theft of \$35,000

As a routine part of our efficiency audits, we evaluate selected financial controls at each audited district. During our work in this area, district officials informed us that a previous payroll fraud had occurred at the district office. Because of this previous fraud and because the district's monthly payroll is \$600,000, we examined the district's financial controls in more detail.

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 payroll clerk was responsible for both preparing and reconciling the district's payroll. As a result, she was able to give herself multiple paper checks each pay period because no other employee checked the payroll either before or after each payment. In 2013, the school district's bank discovered that the employee had stolen about \$35,000. Since then, the district terminated the employee and the court ordered her to one year of probation and to make restitution to the district. The district's financial auditors recommended improved controls to prevent this from reoccurring.

Strong financial controls include a separation of duties among personnel to help prevent and detect fraud. Although the risk of fraud cannot be entirely eliminated, an adequate separation of duties between multiple employees greatly reduces the risk. Once duties are separated, a fraud would typically require collusion between employees. Duties that should be separated among two or more employees include payroll preparation, review, payment, and reconciliation.

Although the district had taken some steps to improve payroll controls since the 2013 fraud, the controls remain inadequate for the vast majority of payroll transactions.

The district's separation of duties for processing most direct deposit payroll (85% of employees) is inadequate. About 215 of the district's 256 employees receive direct deposits.

- **Before payroll is processed, no other employee besides the payroll preparer reviews or approves the individual payments.** The preparer could add an additional payment to himself or herself and no one would detect it. The preparer could also add payments to fictional employees whose names are on bank accounts under his or her control without detection.
- **After the payroll is processed, an employee other than the payroll preparer reconciles the total amount paid, but not individual payments.** Since this employee does not view or reconcile individual payments, this process would not detect extra payments to the payroll preparer or to fake employees. Consequently, we concluded that this control was not sufficient to detect potential fraud or abuse.

The district's separation of duties for processing physical checks (15% of employees) was better, but could be improved. About 40 of the district's 256 employees receive a paper check or paper stub from their direct deposit.

- **Before payroll is processed, an employee other than the payroll preparer reviews and initials paper checks for approval but this control is weak and not consistently enforced.** Initials are much easier to forge than a signature. Furthermore, staff told us that some checks have been sent and processed without initials.
- **After the payroll is processed, the district has an adequate reconciliation process.** An employee other than the payroll preparer reconciles the individual checks and paper stubs from the direct deposits to confirm that the correct employees are being paid the correct amounts.

Although the district's payroll system is still vulnerable, we did not identify any fraudulent payroll payments. We reviewed a sample of district payroll transactions including comparing payroll to contracted amounts, comparing payroll to a current list of employees, and working with district staff to explain any discrepancies we identified as a result of our comparison.

Because of the high risk created by the lack of adequate payroll controls, we shared the findings with district officials immediately. District officials told us they have implemented a new process to reconcile direct deposits but we have not evaluated the newly implemented controls.

Unusually High Spending Limits and Poor Controls for Some District Purchasing Cards Increases the Risk They Could Be Misused

We evaluated controls on the district's eight purchasing cards as a routine part of our audit. One card is assigned to each the superintendent and assistant superintendent. Two cards are kept at the board office. These four cards are used at the district officials' discretion for purchases such as travel, supplies, and other district operations. The remaining four cards can be checked out by district staff and used primarily for travel.

As mentioned before, strong financial controls include a separation of duties among staff to help prevent and detect fraud. Also, a strong control for purchasing cards is to limit the potential impact of any one fraud by keeping the credit limits as low as possible while still facilitating business operations. Typically, purchasing cards have credit limits between \$5,000 and \$10,000.

Two purchasing cards used by district office staff have extremely high credit limits and weak controls. Each of these cards has a total credit limit of \$100,000, exposing the district to a collective \$200,000 in financial risk. These cards do not have individual transaction limits. We reviewed a large sample of statements for these cards and found that monthly expenditures were routinely far below the maximum credit limit of \$100,000.

- **The separation of duties for these credit cards is inadequate.** The same staff member is allowed to make the purchase, pay the bill, sign for the delivery, and reconcile the statement. This makes the district vulnerable to fraudulent use of these cards. A staff member could purchase something for themselves, have it delivered to their home, and avoid detection by reconciling the statement.
- **The credits cards are not kept physically secure.** The cards are kept in an unlocked desk drawer in the board office. Additionally, district staff said that these cards are not supposed to leave the district office, but district officials told us about one instance where an employee inadvertently took one of the \$100,000 credit limit cards to pay for travel instead of the typical staff travel card with the \$5,000 credit limit.

- **The district lacks adequate written policies to address separation of duties and physical security.** The current credit card policies do not mention or address the controls for these two cards.

Because of the high risk posed by the high credit limits and a lack of controls for these two cards, we shared the findings with district officials immediately. District officials reported that they have reduced the credit limits on the two credit cards from \$100,000 on each card to \$50,000 and \$20,000 respectively.

Additionally, the assistant superintendent's credit card purchases are not sufficiently reviewed and approved. The assistant superintendent is allowed to make purchases without prior approval. We would expect that the superintendent or school board president would approve requests for purchases or review the purchases made. For example, the superintendent's card purchases are reviewed and approved by the school board president. Although other district staff pay the bill and reconcile the statement for purchases for the assistant superintendent's card, they are not in position to approve the purchases. Moreover, the district's written policy does not address separation of duties or approval for this card.

We did not identify any questionable transactions based on our review of purchases made on all three cards. We reviewed a sample of 43 transactions on these three cards by evaluating the card statement, purchase order invoices, receipts, and other documentation. We also looked for a variety of fraud indicators including purchasing from inappropriate vendors and shipping addresses to non-school buildings. All 43 transactions we reviewed appeared reasonable.

The other five district credit cards appear to have adequate controls. The superintendent's card has a limit of \$10,000 like the assistant superintendent's card, but purchases made on this card are approved by the school board president. The superintendent also submits receipts and district staff reconcile this card monthly.

The remaining four cards can be checked out as needed by staff and have reasonable expenditure limits of \$5,000. Further, those cards have strong controls that include receiving approval before expenditures are made, a sign-out log to track who has used each card, submission of receipts, and regular reconciliation of purchase documentation to the monthly card statements.

The District Has Inadequate Procedures and No Policies for Processing Cash Transactions

We evaluated controls on the district’s cash handling policies and procedures as a routine part of our audit. Cash transactions for the district include school staff collecting money for meals and enrollment fees as well as staff and community members collecting “gate” money at sporting events and activities. Good cash handling procedures include a separation of duties when collecting, depositing, and reconciling payments.

The district does not adequately separate duties and does not have written policies for handling \$400,000 in school-related payments. These payments include money for meals and enrollment fees and can be paid for with cash or check. The same staff member at each school is responsible for collecting payment, issuing a receipt, preparing the deposit, and reconciling the bank statement. Because there is no separation of duties, the district is vulnerable to theft by the person responsible for processing cash transactions.

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. Parents or staff collect the money at the entrance of school events. Following receipt of that money, the district had a strong cash handling process which includes multiple counts of the money, verifying those counts, and reconciling the cash deposit. These duties are separate among multiple district staff. Although this appears to be an adequate cash management process, there are no written policies to codify it.

The District’s Inventory is Not Complete or Accurate Because It Is Not Regularly Updated

We also evaluated inventory controls at the district as a routine part of our audit work. Inventories and regular inventory checks are important to prevent and detect both loss and theft of items.

The district’s written policy specifies that the district’s inventory be checked and updated annually. The district’s inventory includes items such as computers, furniture, and classroom equipment. The district’s inventory policy specifies the type of information to be included in the inventory, who is responsible for taking inventory, and how often it should be updated and checked.

We found that the district inventory is incomplete and inaccurate because the district’s policies are not being followed. District staff told us that the inventory has not been updated annually and that if a computer were stolen, the district would only find out if a staff member noticed it was gone. For

example, the inventory shows 46 computers at Sabetha High School, but information technology staff reported that the school has around 120 computers. Additionally, some inventory items are listed as being located in closed school buildings in Bern and Summerfield.

According to district officials, the person who was responsible for maintaining the district's inventory retired and responsibility for this process was not reassigned because of staff reductions. Without an accurate inventory we could not estimate the potential for district loss in this area.

Conclusion and Recommendations

Conclusion

As student populations have declined in many parts of the state, many policy makers have recognized the need for some form of school consolidation. However, because of Kansas' strong tradition of local control of schools and its bitter experience with forced consolidation in the 1960s, the overwhelming consensus has been that school district consolidation should be a local decision and the state's role is to facilitate those decisions.

To this end, the state has developed a financial incentive package to mitigate some of the financial hurdles districts face when they consolidate. While at times there has been debate over the size of the financial incentives, it has generally been assumed that creating incentives to get school districts to voluntarily consolidate is good public policy.

However, the consolidation of the Sabetha-Wetmore and Axtell districts to form the Prairie Hills school district highlights a risk that consolidation incentives could induce districts to make short-term decisions that have negative long-term consequences. In this case, the districts' decision to consolidate to protect their revenues has resulted in a geography that significantly limits the district's ability to consolidate its resources and take advantage of economies of scale. As a result, Prairie Hills' expenditures will significantly exceed its revenues when its consolidation incentive ends in June 2015.

This is not to say that the districts should not consolidate or that the state should not offer incentives to encourage consolidations. Overall, it appears that districts typically make logical consolidation decisions and we are not aware of any other consolidated district in the state that is facing Prairie Hills' situation. However, although well-intended, these incentives could influence districts to make decisions that are not in their own or the state's best interest.

Recommendations for District Action or Consideration

To comply with the requirements of K.S.A. 46-1133:

1. The district should post a copy of the completed performance audit on their website pursuant.

Because of the potential for reducing costs or generating revenue with little to no impact on educational services provided to students, the district should implement the following option:

2. Assess the current food service program to determine where it is inefficient and how best to get expenditures in line with peer districts in areas including (page 12):
 - a. Exploring the option of purchasing primarily through one vendor to leverage buying power.
 - b. Improving the accuracy of meal counts to reduce waste by developing written policies and procedures, and training staff.
 - c. Eliminating free meals for all staff.
 - d. Increasing meal prices to the peer average.
 - e. Working with districts that have low supply costs and zero transfers into their food service program to determine other processes and procedures to improve.

Because of the potential for impact on the students or community the district should consider implementing the following cost savings options:

3. Consider consolidating classes that are offered multiple times but not filled to capacity and consider (page 15):
 - a. Reducing the teaching positions to part-time staff.
 - b. Sharing teachers across district buildings or with a neighboring school district.
4. Consider eliminating transportation services for students who live less than 2.5 miles from school and reduce the district fleet by one bus and one driver (page 17).
5. Consider closing the Wetmore Public School and moving the students to Sabetha schools (page 19).
6. Consider eliminating low enrollment programs and the associated teaching positions including (page 23):
 - a. Axtell's agriculture program
 - b. Sabetha-Wetmore's family and consumer science program
7. Consider reducing the four kindergarten classes at Sabetha Elementary to three classes and eliminate one teaching position (page 24).

To reduce the risk of fraud and abuse, the district should implement the following financial and inventory controls:

8. Develop and implement appropriate payroll processing policies and procedures to include separating the duties of preparing,

approving, paying, and reconciling payroll between at least two employees (page 24).

9. Develop and implement appropriate credit card policies and procedures to include separating the duties of approving, purchasing, receiving, and reconciling purchases between at least two employees. Additionally, all purchases should receive prior approval by a superior and credit card limits should be kept as low as possible while facilitating business operations (page 26).
10. Develop and implement appropriate cash handling policies and procedures for meal and enrollment payments to include separating the duties of receiving, receipting, depositing, and reconciling payments (page 28).
11. Develop written policies for the already established cash handling practices for gate receipts (page 28).
12. Assign a staff member to manage the district's inventory according to its written policy (page 28).

APPENDIX A Scope Statement

On July 22, 2013, the Legislative Post Audit Committee reviewed and approved the Prairie Hills' request to receive an efficiency audit of the Prairie Hills school district. This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit. The audit was required under K.S.A. 46-1133.

K-12 Education: Efficiency Audit of Selected School Districts

In recent years, the Legislative Division of Post Audit has conducted several voluntary efficiency audits of school districts. Officials from audited school districts volunteered as a way to help them identify ways they could reduce costs without affecting the education they provide students. Between December 2009 and July 2013, 10 school district efficiency audits were conducted. Among other things, these audits found potential savings related to food service programs, custodial staffing, high school scheduling, and consolidating administrative functions into a single building.

During the 2013 legislative session, House Bill 2349—which requires us to conduct three school district efficiency audits of a small, medium, and large school district each fiscal year—was passed and signed into law. That bill further stipulates that school districts be selected on a voluntary basis first and exempts school districts that have participated in a similar efficiency audit in the previous five years.

This school district performance audit answers the following question:

1. Could selected school districts achieve significant cost savings by improving resource management, and what effect would those actions have? To answer this question, we would select three school districts for review (one small, one medium, and one large), with preference given to districts that voluntarily requested an audit. We would interview district officials, tour facilities, and compare each district's staffing and expenditures to its peers and other relevant benchmarks to identify areas where the district could potentially save money. We would evaluate each district's practices in the areas we identified to see if there are ways the districts could use fewer resources without significantly affecting their ability to educate students. We would perform additional work in this area as necessary.

Estimated Resources: 3 LPA staff

Estimated Time: 8 months (a)

(a) From the audit start date to our best estimate of when all three audits would be ready for the committee.

APPENDIX B
Detailed Information about Efficiency Measures
Used to Compare the Prairie Hills School District to Its Peers

This appendix contains a description of the methodology we used to select the peer districts we compared the Prairie Hills school district to along with the information for each of the districts.

Peer Selection

To select peers for the Prairie Hills school district, we identified demographic measures for all Kansas school districts. These included:

- Total FTE student enrollment
- Percent of students who are eligible for free lunches
- Percent of students who have limited English proficiency
- Total assessed property value per student

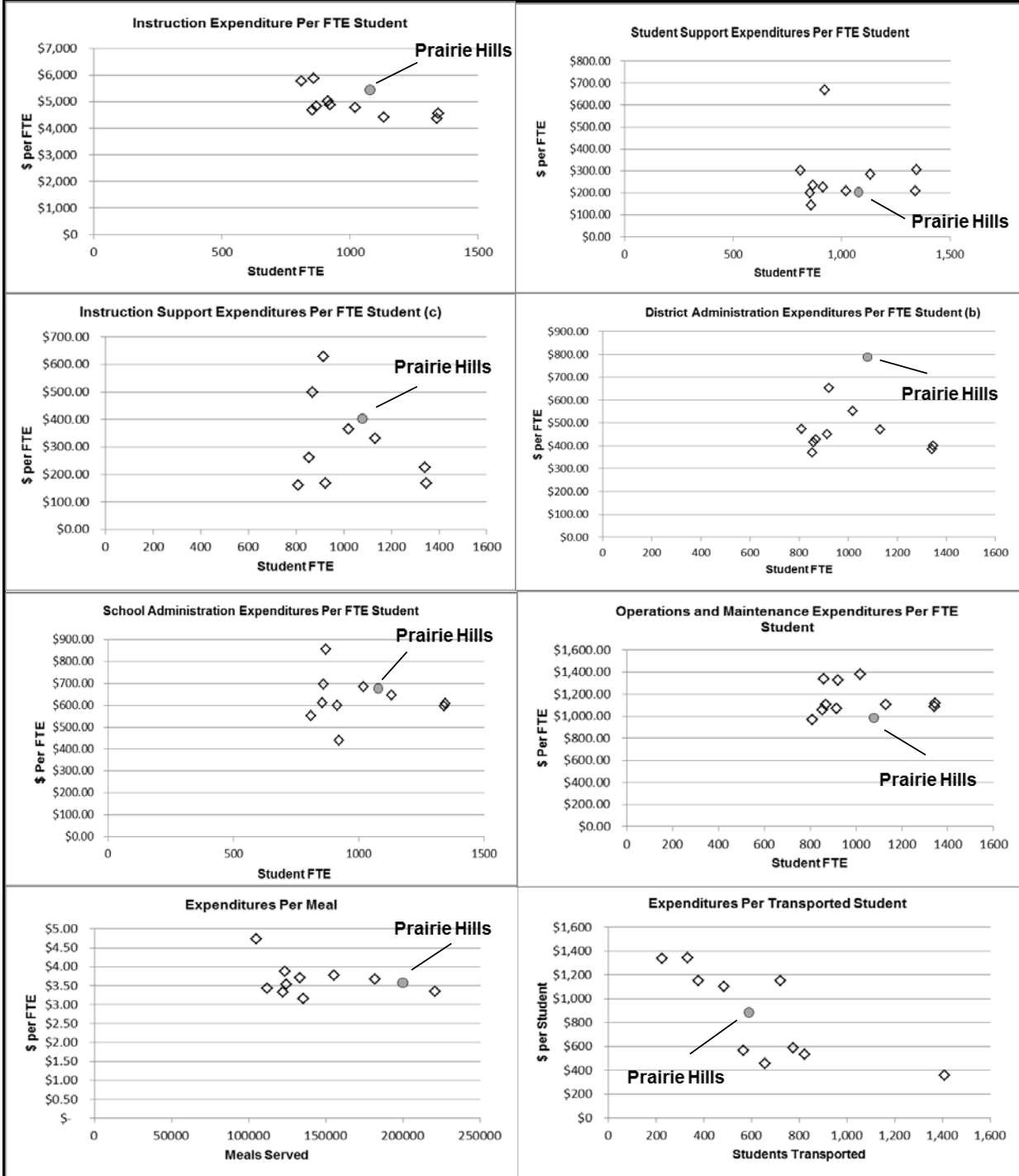
We then developed a statistical model to identify peer districts that were most similar to the Prairie Hills school district based on those measures. The list of Prairie Hills’ peers is included below.

Peer Comparison

To compare Prairie Hills against its peers we calculated a variety of efficiency measures for each district. We focused on eight functional areas: instruction, district administration, school administration, instructional support, student support, operations and maintenance, food service, and transportation. We looked at 2013-14 expenditures, enrollment, and staffing data for each of these areas. We used that data to calculate our primary unit of measurement which was cost per student. We looked at total expenditures per student but also at expenditures categories such as salaries, purchased services, and supplies. We also looked at total staff in each area and staff per 500 students. Our calculations for the Prairie Hills school district and its peers are included in this appendix below.

Demographic Information for the Prairie Hills School District and Its Peers (2013-14 school year)					
USD #	Name	FTE Students	% Free Lunch	% Limited English Proficiency	Assessed Valuation Per Pupil
113	Prairie Hills	1,078	23%	0.2%	\$77,186
264	Clearwater	1,132	21%	0.4%	\$51,186
312	Haven Public Schools	860	29%	6.5%	\$70,095
315	Colby Public Schools	915	30%	4.6%	\$78,642
323	Rock Creek	855	22%	0.0%	\$51,894
331	Kingman - Norwich	923	37%	0.0%	\$75,241
343	Perry Public Schools	811	29%	0.5%	\$72,578
348	Baldwin City	1,342	27%	0.5%	\$56,175
379	Clay Center	1,346	30%	0.4%	\$58,624
400	Smoky Valley	869	18%	0.2%	\$63,024
473	Chapman	1,020	34%	0.3%	\$67,111
Source: Kansas State Department of Education (audited).					

Appendix B
2013 - 2014 Operating Expenditures Per FTE Student for the Prairie Hills School District and Its Peers



(a) Data does not include special education or property and equipment costs. expenditures in this category that the peer districts excluded. Prairie Hills reports their insurance costs for Property, General Liability, Officer's Insurance, Database Compromise, Worker's Compensation, Crime Damage, and Public Official bonds in the function level for Administration Costs (2300). However, the peer districts report these insurance costs in the function level for Operations and Maintenance (2600). This variance in accounting for Unified School Districts is allowable. When Prairie Hills' expenditures are adjusted to account for this issue, its expenditures are only slightly greater than its peers.

(c) The district's expenditures in this category were comparatively high; however, recent staffing reductions and adjustments based on reporting inaccuracies of Staff FTE bring Prairie Hills back in line with peers in staffing ratio and expenditures.

Source: LPA analysis of audited school district expenditures and enrollment data from the Kansas Department of Education and the Prairie Hills school district.

**Appendix B
2013 - 2014 Operating Expenditures Per FTE Student for
the Prairie Hills School District and Its Peers**

MEASURES (a)	School Districts										
	Perry Public Schools (USD 343)	Rock Creek (USD 323)	Haven Public Schools (USD 312)	Smoky Valley (USD 400)	Colby Public Schools (USD 315)	Kingman - Norwich (USD 331)	Chapman (USD 473)	Prairie Hills (USD 113)	Cleanwater (USD 264)	Baldwin City (USD 348)	Clay Center (USD 379)
Enrollment FTE	811	855	860	869	915	923	1,020	1,078	1,132	1,342	1,346
Instruction											
Per Student Expenditures Breakdown											
Salaries	\$ 4,178	\$ 3,668	\$ 4,594	\$ 3,756	\$ 3,435	\$ 3,598	\$ 3,667	\$ 4,326	\$ 3,166	\$ 3,369	\$ 3,403
Employee Benefits	\$ 1,077	\$ 717	\$ 856	\$ 717	\$ 1,001	\$ 726	\$ 618	\$ 553	\$ 812	\$ 658	\$ 793
Purchased Services	\$ 47	\$ 65	\$ 193	\$ 111	\$ 273	\$ 72	\$ 170	\$ 217	\$ 202	\$ 70	\$ 163
Supplies	\$ 210	\$ 235	\$ 232	\$ 228	\$ 271	\$ 475	\$ 321	\$ 338	\$ 166	\$ 257	\$ 180
Other	\$ 269	\$ -	\$ 2	\$ 5	\$ 47	\$ 0	\$ 4	\$ 13	\$ 63	\$ 12	\$ 16
Expenditures per FTE Student	\$ 5,781	\$ 4,685	\$ 5,877	\$ 4,817	\$ 5,027	\$ 4,871	\$ 4,780	\$ 5,446	\$ 4,409	\$ 4,365	\$ 4,555
Staffing Information											
Total Instruction Staff	64.1	72.9	96.0	66.2	57.8	69.9	85.1	97.3	85.0	91.3	105.0
# staff/500 students	40.8	42.6	58.1	39.2	34.9	37.9	43.7	45.1	38.4	35.1	39.0
Student Support											
Per Student Expenditures Breakdown											
Salaries	\$ 198	\$ 163	\$ 118	\$ 150	\$ 149	\$ 394	\$ 170	\$ 184	\$ 237	\$ 168	\$ 209
Employee Benefits	\$ 77	\$ 31	\$ 22	\$ 31	\$ 73	\$ 83	\$ 32	\$ 6	\$ 45	\$ 29	\$ 42
Purchased Services	\$ 27	\$ 2	\$ 0	\$ 50	\$ 2	\$ 142	\$ 1	\$ 10	\$ -	\$ 9	\$ 49
Supplies	\$ 1	\$ 3	\$ 3	\$ 5	\$ 2	\$ 49	\$ 4	\$ 3	\$ 1	\$ 4	\$ 3
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 1	\$ -	\$ 2
Expenditures per FTE Student	\$ 303	\$ 199	\$ 143	\$ 236	\$ 226	\$ 669	\$ 207	\$ 204	\$ 284	\$ 210	\$ 305
Staffing Information											
Total Student Support Staff	3.0	7.2	2.0	2.0	5.8	4.7	13.7	4.6	8.0	10.5	19.2
# staff/500 students	1.9	4.2	1.2	1.2	3.2	2.5	6.7	2.1	3.5	3.9	7.1
Instruction Support											
Per Student Expenditures Breakdown											
Salaries	\$ 97	\$ 146	\$ 210	\$ 314	\$ 347	\$ 96	\$ 242	\$ 306	\$ 208	\$ 163	\$ 100
Employee Benefits	\$ 7	\$ 3	\$ 28	\$ 70	\$ 101	\$ 15	\$ 42	\$ 41	\$ 68	\$ 25	\$ 27
Purchased Services	\$ 13	\$ 25	\$ 1	\$ 53	\$ 138	\$ 40	\$ 30	\$ 27	\$ 47	\$ 24	\$ 2
Supplies	\$ 43	\$ 88	\$ 24	\$ 63	\$ 41	\$ 17	\$ 51	\$ 29	\$ 7	\$ 14	\$ 35
Other	\$ 0	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 0	\$ 0	\$ -	\$ 4
Expenditures per FTE Student	\$ 160	\$ 262	\$ 263	\$ 500	\$ 628	\$ 168	\$ 366	\$ 403	\$ 330	\$ 226	\$ 169
Staffing Information											
Total Inst. Support Staff	3.4	0.0	3.0	3.7	2.4	2.2	3.0	6.9	3.0	4.8	4.9
# staff/500 students	2.1	0.0	1.7	2.1	1.3	1.2	1.5	3.2	1.3	1.8	1.8
District Administration											
Per Student Expenditures Breakdown											
Salaries	\$ 282	\$ 260	\$ 273	\$ 315	\$ 273	\$ 479	\$ 262	\$ 449	\$ 323	\$ 278	\$ 244
Employee Benefits	\$ 26	\$ 38	\$ 31	\$ 52	\$ 65	\$ 77	\$ 46	\$ 46	\$ 70	\$ 51	\$ 37
Purchased Services	\$ 90	\$ 65	\$ 94	\$ 41	\$ 65	\$ 76	\$ 171	\$ 256	\$ 70	\$ 25	\$ 57
Supplies	\$ 13	\$ 5	\$ 3	\$ 13	\$ 25	\$ 8	\$ 5	\$ 3	\$ 4	\$ 21	\$ 29
Other	\$ 61	\$ 1	\$ 14	\$ 7	\$ 23	\$ 13	\$ 69	\$ 34	\$ 4	\$ 10	\$ 33
Expenditures per FTE Student	\$ 472	\$ 369	\$ 415	\$ 428	\$ 451	\$ 654	\$ 553	\$ 788	\$ 470	\$ 385	\$ 399
Staffing Information											
Total District Admin. Staff	4.8	4.8	6.0	8.0	6.4	5.4	6.5	3.2	8.0	6.6	6.0
# staff/500 students	3.0	3.4	3.5	5.8	4.4	4.4	4.2	6.4	4.0	3.1	3.2
School Administration (b)											
Per Student Expenditures Breakdown											
Salaries	\$ 513	\$ 432	\$ 595	\$ 633	\$ 433	\$ 379	\$ 566	\$ 565	\$ 540	\$ 453	\$ 428
Employee Benefits	\$ 39	\$ 127	\$ 79	\$ 136	\$ 142	\$ 61	\$ 67	\$ 79	\$ 101	\$ 108	\$ 109
Purchased Services	\$ 1	\$ 48	\$ 16	\$ 26	\$ 12	\$ -	\$ 39	\$ 29	\$ 3	\$ 32	\$ 56
Supplies	\$ -	\$ 2	\$ 6	\$ 60	\$ 10	\$ 1	\$ 11	\$ 5	\$ 4	\$ 4	\$ 8
Other	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 0	\$ 0	\$ -	\$ -	\$ 9
Expenditures per FTE Student	\$ 553	\$ 610	\$ 696	\$ 855	\$ 601	\$ 441	\$ 684	\$ 677	\$ 647	\$ 596	\$ 609
Staffing Information											
Total School Level Staff	9.6	6.0	13.0	11.1	8.1	9.7	6.0	5.0	12.5	10.9	14.6
# staff/500 students	5.9	3.5	7.6	6.4	4.4	5.3	2.9	2.3	5.5	4.1	5.4

Appendix B (con't)
2013 - 2014 Operating Expenditures Per FTE Student for
the Prairie Hills School District and Its Peers

MEASURES (a)	School Districts										
	Perry Public Schools (USD 343)	Rock Creek (USD 323)	Haven Public Schools (USD 312)	Smoky Valley (USD 400)	Colby Public Schools (USD 315)	Kingman - Norwich (USD 331)	Chapman (USD 473)	Prairie Hills (USD 113)	Clearwater (USD 264)	Baldwin City (USD 348)	Clay Center (USD 379)
Operations and Maintenance											
Salaries	\$ 297	\$ 185	\$ 500	\$ 400	\$ 368	\$ 376	\$ 357	\$ 378	\$ 337	\$ 267	\$ 306
Employee Benefits	\$ 30	\$ 65	\$ 126	\$ 113	\$ 176	\$ 107	\$ 84	\$ 66	\$ 101	\$ 75	\$ 76
Purchased Services	\$ 194	\$ 376	\$ 213	\$ 251	\$ 191	\$ 398	\$ 460	\$ 133	\$ 304	\$ 362	\$ 398
Supplies	\$ 444	\$ 433	\$ 500	\$ 341	\$ 335	\$ 445	\$ 476	\$ 406	\$ 362	\$ 349	\$ 320
Other	\$ 2	\$ -	\$ 0	\$ -	\$ 2	\$ -	\$ 0	\$ 3	\$ 0	\$ 37	\$ 21
Expenditures per FTE Student	\$ 966	\$ 1,060	\$ 1,339	\$ 1,105	\$ 1,072	\$ 1,327	\$ 1,378	\$ 986	\$ 1,104	\$ 1,090	\$ 1,120
Staffing Information											
Total Ops. & Maint. Staff	10.0	4.2	10.0	11.0	11.0	10.8	14.3	13.4	14.0	15.0	9.2
# staff/500 students	6.2	2.5	5.8	6.3	6.0	5.8	7.0	6.2	6.2	5.6	3.4
Food Service											
Per Student Expenditures Breakdown											
Salaries	\$ 181	\$ 142	\$ 156	\$ 146	\$ 200	\$ 193	\$ 263	\$ 248	\$ 167	\$ 149	\$ 182
Employee Benefits	\$ 70	\$ 66	\$ 41	\$ 69	\$ 119	\$ 49	\$ 36	\$ 41	\$ 28	\$ 16	\$ 42
Purchased Services	\$ 2	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 13	\$ 0	\$ 2	\$ 7	\$ 2
Supplies	\$ 214	\$ 348	\$ 298	\$ 248	\$ 221	\$ 231	\$ 339	\$ 362	\$ 239	\$ 223	\$ 321
Other	\$ 3	\$ 4	\$ 1	\$ 4	\$ -	\$ 1	\$ 1	\$ 12	\$ 0	\$ 43	\$ 1
Expenditures per FTE Student	\$ 469	\$ 560	\$ 496	\$ 467	\$ 542	\$ 476	\$ 653	\$ 663	\$ 436	\$ 437	\$ 548
Staffing Information											
Total Food Service Staff	6.4	7.6	8.5	5.3	9.1	7.3	12.7	10.1	11	12.4	10.4
# staff/500 students	3.9	4.4	4.9	3.0	5.0	4.0	6.2	4.7	4.9	4.6	3.9
Expenditures per Meal	\$ 3	\$ 4	\$ 3	\$ 3	\$ 5	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 3
Transportation											
Per Student Expenditures Breakdown											
Salaries	\$ 271	\$ 229	\$ 307	\$ 586	\$ 599	\$ 720	\$ 687	\$ 425	\$ 284	\$ 199	\$ 581
Employee Benefits	\$ 33	\$ 32	\$ 43	\$ 217	\$ 287	\$ 145	\$ 84	\$ 77	\$ 35	\$ 23	\$ 103
Purchased Services	\$ 92	\$ 72	\$ 46	\$ 30	\$ 78	\$ 64	\$ 48	\$ 97	\$ 104	\$ 9	\$ 55
Supplies	\$ 134	\$ 100	\$ 185	\$ 314	\$ 359	\$ 401	\$ 332	\$ 270	\$ 131	\$ 124	\$ 221
Other	\$ 4	\$ 23	\$ 3	\$ 8	\$ 13	\$ 14	\$ 3	\$ 17	\$ 10	\$ -	\$ 142
Expenditures per Transported Student	\$ 534	\$ 456	\$ 584	\$ 1,153	\$ 1,336	\$ 1,345	\$ 1,154	\$ 886	\$ 564	\$ 355	\$ 1,103
Staffing Information											
Total Transportation Staff	6.1	4.8	21.0	7.7	5.2	5.2	14.3	5.5	16.0	9.3	9.7
# staff/per 500 transported students	3.8	2.8	12.2	4.4	2.8	2.8	7.0	2.6	7.1	3.5	3.6
Total Expenditures per FTE Student (c)	\$ 9,238	\$ 8,201	\$ 9,814	\$ 9,561	\$ 9,883	\$ 9,950	\$ 9,774	\$ 10,055	\$ 8,244	\$ 7,665	\$ 8,808
(a) Expenditures for property and equipment are excluded.											
(b) These categories include administrators, clerical staff, and other support staff.											
(c) Due to rounding, adding the individual measures may not equal the total shown.											
Source: Kansas State Department of Education (audited).											

APPENDIX C
District Response

On February 10, 2015, we provided copies of the draft audit report to Prairie Hills school district officials. The district's response is included as this appendix. Following the written response is a table listing the district's specific implementation plan for each recommendation.

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 eliminate free meals for staff.



Prairie Hills USD 113

"Expecting and assisting all students to develop the skills necessary to make positive contributions to society."

Sabetha Schools • Wetmore Academic Center • Axtell Public School

March 1, 2015

TO: Kansas Legislative Post Audit Committee,

Prairie Hills, USD #113, would like to express appreciation for the professionalism shown by the members of the Legislative Division of Post Audit during our recent efficiency study. The motivation of the Board of Education to volunteer for such a study was driven by the desire to obtain objective and original suggestions for our district to increase efficiency as we complete the final year (5) of our consolidation incentive.

USD #113 has already been through a painful process as we have endeavored to reduce expenditures after consolidation. Our district has experienced the process of the closure of the Bern school (pre-K – 12). We have been through the closure of the Summerfield Elementary building. Sabetha Middle School and Sabetha High School moved from a block schedule to a traditional schedule in order to reduce staff, despite considerable public opposition. USD #113 has also implemented a reduction in the number of student contact days and lengthened the school day which results in a savings – mostly through classified staff members experiencing a reduction in the number of days for which they are paid.

One observation upon reading this report is that there is a double-edged sword to eliminating "administrative" functions within a district. Ironically, it is possible to reduce into inefficiency. The first place that communities look to reduce expenditures for schools is at the district level. Much of this is because of a lack of knowledge of the responsibilities and duties that are demanded of schools catering to local, state and national bureaucracies. As USD #113 has reduced, we inadvertently created issues with accounting practices, inventories, etc. There is always more work to be done in schools than finances available to provide personnel. While it is not acceptable to have these issues, it is a phenomenon that is going to grow within a state that is experiencing drastic reductions to the operating funds of schools.

In conclusion, USD #113 willingly volunteered for this process to obtain an objective, financial-only perspective. One of our Board of Education members referred to this as "eyes without feelings." We also recognize the additional benefits of transparency and the opportunity to improve as an organization. The USD #113 school community will take the recommendations from the Legislative Post Audit into serious consideration as we continue to identify the vision of our district and to improve our level of efficiency.

Little to No Impact:

Food Service Practices

Single Vendor –We will seriously consider this option. Concerns expressed with this adjustment include availability and quality of produce as well as a desire to do business at the local level with financial supporters of our schools.

Todd Evans, Superintendent evanst@usd113.org

Dr. Volora Hanzlicek, Assistant Superintendent hanzlicv@usd113.org

usd113.org

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boe@usd113.org

Increase the accuracy of Meal Counts - USD #113 administration will direct training to improve meal counts to avoid waste. Administration will also research the policies and procedures associated with this item.

Eliminating Free meals to 28 employees – Recent reductions have resulted in staff losing income because of reduced work days. Little or no wage increases over a span of time has resulted in low morale for kitchen staff. It is the opinion of USD #113 that this adjustment would exacerbate job dissatisfaction and lead to staffing difficulties. Teaching staff are provided a "free meal" for providing supervision of lunchrooms according to the negotiated agreement. This cost is less than an hourly rate for a potentially sub-par supervisor. The "reduction of free meals" was extensively analyzed in spring of 2014. A reduction of those meals provided that were considered prudent to be reduced, already have been reduced. The remaining meals provided to employees were and are considered to be in the best interest of the district.

Increase Meal Prices – USD #113 is planning on increasing the following meals: Breakfast by .10 and Lunch by .10 for FY 2016.

Moderate Impact

Eliminating:

.5 Math SHS – This is a reduction that is planned to be made.

.5 Science SMS – This is not a reduction that can be made while retaining the quality of teachers that we currently have. This reduction would have a high negative impact on an extremely important core program.

.5 P.E. positions between SMS – Due to the nature of the Middle School as a critical age for adolescence and the high impact of these teachers on the physical, social and emotional development of students, this is not a reduction that the district is planning on making at this time, but will be studied further as the district continues the process of adjusting to reductions in state aid.

Not busing students within 2.5 miles - When considering the balance between the service offered to our parents through transporting students, USD # 113 has decided that this option is not worth the cost savings.

Significant Impact

Close Wetmore K-12 – USD #113 has been conducting extensive studies evaluating our K-12 buildings and their viability. This is an area for consideration, but is taken very seriously. The impact on the community and students would truly be "significant." With that said, this is a decision that will be made by the USD #113 school community. Interestingly enough, the studies that the Board of Education have conducted have been more extensive in nature than that provided by the Legislative Post Audit. Some differences include: consideration for the specific weightings of students by K-12 by attendance center as opposed to a district average and revenue generated by attendance center valuation. While recognizing the LPA's logic of looking to historical data for estimating the retention of 50% of Wetmore students, the local perception is that very few Wetmore families, given the choice, would send their students to Sabetha. This would reduce, but not eliminate the estimated savings through this action. It is also important to note that the studies conducted by the LPA as well as USD #113 may be meaningless because the block

grant and subsequent funding formula could change the rules on everything that has been evaluated. The Board of Education will give careful consideration to this action.

Cut FACS Program – Instead of reducing the position completely, the intent of USD #113 is to examine the potentiality of reducing the position from full time to half time. The district should still be able to continue to serve a similar number of students. This would allow for students to continue to select this elective as well as maintaining the revenue from the vocational program.

Cut the Axtell Vo-ag program – USD # 113 plans to consider the reduction of a portion of this position. Axtell's vo-ag teacher is already part time. By reducing this program to one "Pathway" (3 courses), the opportunity for involvement in FFA would still exist for the students, the ability for students to take these elective courses would be available and the revenue from the .5 funding would pay for a larger proportion of the salary.

Cut 1 section of Kindergarten at Sabetha - The suggestion for reducing Kindergarten sections from 4 to 3 at Sabetha Elementary School is a reasonable suggestion considering that enrollment remains steady. The USD #113 Board of Education has established 18 as the number to not exceed for Kindergarten classes. It is recognized that early childhood education is extremely important.

Other findings:

Remaining suggestions: USD #113 district administration, along with district level staff and treasurer, have implemented the procedures and practices that are recommended. Policies that articulate this will be researched and adopted. Credit card limits have already been adjusted to comply. USD #113 will develop the policies and procedures for meal and enrollment payment to involve multiple people for safe handling practices.

USD #113's practices are appropriate for gate receipts. A policy will be developed to articulate the safe handling practices already in place.

Sincerely,

Todd J. Evans

Superintendent

Prairie Hills, USD # 113

Itemized Response to LPA Recommendations

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

LPA Recommendation	Agency Action Plan
<p>Because of the potential for reducing costs with little to no impact on education services provided to students, the Prairie Hills school district <u>should implement</u> the following option:</p>	
1. The district should post a copy of the completed performance audit on their website pursuant to K.S.A. 46-1133	The performance audit will be posted as required.
2. Assess the current food service program to determine where it is inefficient and how best to get expenditures in line with peer districts in areas including	We are currently assessing the food service program to ascertain inefficiencies. In addition to information provided by the LPA, USD #113 will also evaluate an efficiency review provided by KSDE Child Nutrition and Wellness. We will also discuss possible savings by contracting with a food service company.
a. Exploring the option of purchasing primarily through one vendor to leverage buying power.	We will seriously consider this option. Concerns expressed with this adjustment include availability and quality of produce as well as a desire to do business at the local level with supporters of our school and community.
b. Improving the accuracy of meal counts to reduce waste by developing written policies and procedures, and training staff.	USD #113 administration will direct training to improve meal counts to avoid waste. Administration will also research the policies and procedures associated with this item.
c. Eliminate free meals for all staff.	Recent reductions have resulted in staff losing income because of reduced work days. Little or no wage increases over a span of time has resulted in low morale for kitchen staff. It is the opinion of USD #113 that this adjustment would exacerbate the morale and lead to staffing difficulties. Teaching staff are provided a "free meal" for providing supervision of lunchrooms according to the negotiated agreement. This cost is less than an hourly rate for a potentially sub-par supervisor. This was extensively analyzed in spring of 2014. The meal reductions that were considered to be prudent have already been made.
d. Increase meal prices to the peer average.	USD # 113 plans on increasing meal prices to be more similar to the peer average.
e. Work with districts that have low supply costs and zero transfers into their food service program to determine other processes and procedures to improve.	We will continue to evaluate our practices to provide the best possible meals for our students that are in compliance with the guidelines and that keep supply costs low and other strategies that will result in improvement.
<p>Because of the potential for impact on students or the community, the Prairie Hills school district <u>should consider</u> implementing the following cost savings actions:</p>	
3. Consider consolidating classes that are offered multiple times but not filled to capacity and consider:	USD # 113 will investigate the adjustment of one Math teaching position to 1/2 time. We have shared teachers between buildings for years as a cost savings measure. This is not a new concept.
a. Reducing the teaching positions to part-time staff.	We are considering this for a Math position. Science is an area that between SMS and SHS we are considerably understaffed. Reducing a position in Science would result in a loss of a quality teacher for a core area.
b. Sharing teachers across district buildings or with a neighboring school district.	We currently share many teachers between buildings. Sharing with neighboring districts is complicated by a difference between traditional and block scheduling. The district will not pursue sharing teachers between districts at this time because Prairie Hills is on a traditional schedule and all neighboring districts are on a block schedule. If Prairie Hills moved back to a block schedule, the district would likely have to add staff which would offset any cost savings from sharing teachers.

4. Consider eliminating transportation services for students who live less than 2.5 miles from school and reduce the district fleet by one bus and one driver.	When considering the balance between the service offered to our parents through transporting students, the Board has decided that this option is not worth the cost savings.
5. Consider closing the Wetmore Public School and moving the students to Sabetha schools.	The closure of a building is taken very seriously. The USD #113 BOE has been conducting extensive studies regarding the financial viability of K-12 programs. The BOE will continue to evaluate the costs per student and analyze the potential of this suggestion. It is also important to recognize that with block grant funding and a new funding formula, extensive re-evaluation will be a necessity.
6. Consider eliminating low enrollment programs and the associated teaching positions including:	The USD 113 BOE will consider the elimination and/or reduction of these 2 positions.
a. Axtell's agriculture program	The USD 113 BOE will consider the reduction or elimination of this position.
b. Sabetha-Wetmore's family and consumer science program.	The USD 113 BOE will consider the reduction of this position. With Wetmore electing to not receive any FACS courses, it is feasible to reduce this position and still serve students.
7. Consider reducing the four kindergarten classes at Sabetha Elementary to three classes and eliminate one teaching position.	The BOE plans on making this reduction, but it does recognize that a large enrollment may necessitate having a fourth section.
To reduce the risk of fraud and abuse, the district <u>should</u> implement the following financial and inventory controls:	
8. Develop and implement appropriate payroll processing policies and procedures to include separating the duties of preparing, approving, paying, and reconciling payroll between at least two employees.	USD #113 district administration along with our staff and treasurer have implemented the procedures and practices that are recommended. Policies that articulate this will be researched and adopted.
9. Develop and implement appropriate credit card policies and procedures to include separating the duties of approving, purchasing, receiving, and reconciling purchases between at least two employees. Additionally, all purchases should receive prior approval by a superior and credit card limits should be kept as low as possible while facilitating business operations.	USD #113 district administration along with our staff and treasurer have implemented the procedures and practices that are recommended. Policies that articulate this will be researched and adopted. Credit card limits have been adjusted to comply.
10. Develop and implement appropriate cash handling policies and procedures for meal and enrollment payments to include separating the duties of receiving, receipting, depositing, and reconciling payments.	USD #113 will develop the policies and procedures for meal and enrollment payment to involve multiple people for safe handling practices.
11. Develop written policies for the already established cash handling practices for gate receipts.	USD #113's practices are appropriate for gate receipts. A policy will be developed to articulate the safe handling practices already in place.
12. Assign a staff member to manage the district's	A staff member will be assigned to maintain the district's inventory.

