



PERFORMANCE AUDIT REPORT

K-12 Education: Efficiency Audit of the Bucklin School District

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
July 2017**

Legislative Division of Post Audit

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July 31, 2017

To: Members, Legislative Post Audit Committee

This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Efficiency Audit of the Bucklin School District*. The audit team included Heidi Zimmerman, Meghan Flanders, and Amanda Schlumpberger. Chris Clarke was the audit manager.

In the course of the audit, we also noted some minor issues that were not directly related to answering the audit question. We conveyed those issues to agency officials in a separate management letter. The management letter is not included as part of this report, but is available upon request. Additionally, we communicated the results of work we conducted on the district's IT security controls to the district in a separate, confidential letter because the information could jeopardize the district's IT security.

In its formal response, the Bucklin school district concurred with the report's findings and recommendations. More information on the district's response can be found in Appendix A on page 31 of the report.

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

Sincerely,

Scott Frank
Legislative Post Auditor

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K-12 Education: Efficiency Audit of the Bucklin School District

Background Information

K.S.A. 46-1133 directs our office to conduct three school district efficiency audits of one small, one medium, and one large school district each fiscal year. 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 ten years. In years in which no school district volunteers for an audit within one of the three size categories, a school district is randomly selected and given 30 days to appeal its selection. Since 2012, we have performed 13 school district efficiency audits under the provisions of this law and a related budget proviso.

Objective, Scope, and Methodology

The Bucklin school district volunteered in 2016 for an audit in the small-sized school district category. This efficiency audit answers the following question:

- 1. What options could the Bucklin school district consider to increase operational efficiency and improve the effectiveness of their financial controls and information technology security controls?**

Our work included an analysis of the Bucklin school district's expenditures, a staff survey, interviews with district officials, and a tour of the district's facilities designed to identify potential efficiency options. In addition, we identified seven demographically similar peer districts for the Bucklin school district and compared them on various measures of efficiency. That allowed us to identify areas where the Bucklin district's spending appeared to be relatively high. *Appendix B* describes how we selected these peers and includes demographic information for each district. We estimated potential savings based on various analyses and discussed those analyses with district officials, the comparison districts, and an experienced Kansas public school administrator under contract with our office to get feedback on the feasibility and impact of the potential cost savings options we identified.

Where applicable, we compared district operations, controls, and processes to best practices or national benchmarks to determine the adequacy of the district's main financial controls. Our work included a review of the district's internal controls for its inventory, cash handling, purchasing, and purchasing cards. Additionally, we reviewed a number of the district's information technology security controls.

We communicated the IT security findings to the district in a separate, confidential management letter because the information could jeopardize the district's IT security. We also identified certain minor issues that were communicated separately to district management. Those issues are not included in this audit report.

***Compliance with
Generally Accepted
Government Auditing
Standards***

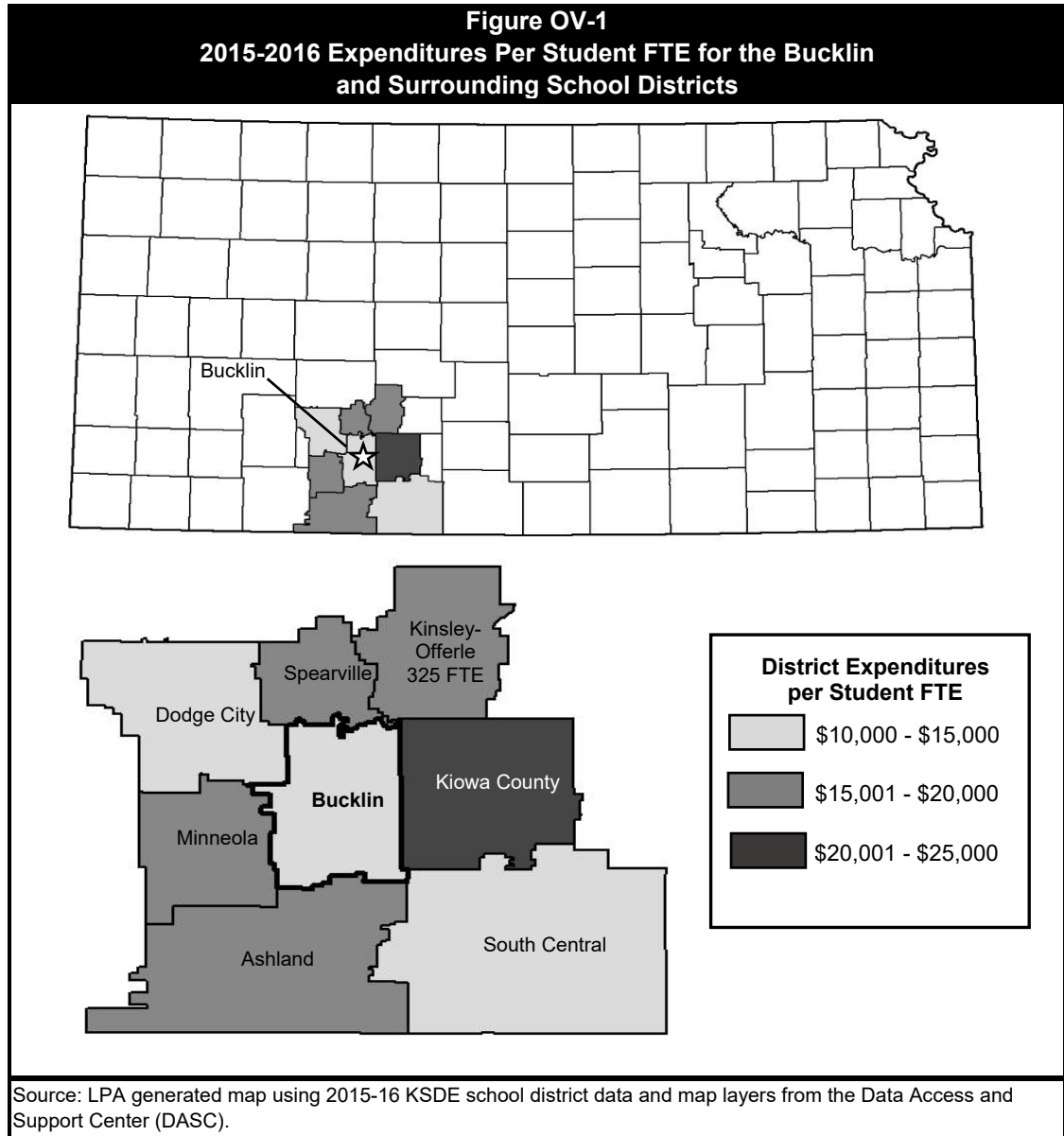
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.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

Generally accepted government auditing standards require us to assess the reliability of any data we use to support audit findings. Because of the errors the external auditors discovered in the district's 2016 financial statements (explained further on page 25) and other problems we identified with the district's accounting and financial practices (explained further on page 22), we cannot be certain we have correctly identified all areas in which the district's expenditures are greater than peers. Additionally, these problems cast doubt on the accuracy of the district's internal accounting records, on which some of our savings estimates are based (savings related to contracting for food service and the potential revenue the district could generate by maximizing the use of its cash-back procurement cards). Because of the time it would take to identify and correct the district's records, we instead tried to corroborate the district's reported numbers with other sources as much as possible and made other adjustments when necessary. In our opinion, the modified data are sufficient and appropriate to support the findings and conclusions in the report.

Overview of the Bucklin School District

The Bucklin School District Served 221 FTE Students and Employed 40 FTE Staff in the 2015-16 School Year

The Bucklin school district is located in southwest Kansas, about 30 miles southeast of Dodge City. **Figure OV-1** is a map of the Bucklin school district and its surrounding districts. As the map shows, the district has seven neighboring districts: Ashland, Dodge City, Kinsley-Offerle, Kiowa County, Minneola, South Central, and Spearville. Bucklin has one K-12 school building.



Although the Bucklin school district’s enrollment has decreased over the past five years, its total staffing as well as its expenditures per student have increased. Specifically:

- **The district’s student enrollment has decreased by 25 students (10%).** The district had 221 FTE students in the 2015-16 school year compared to 246 FTE in the 2011-12 school year.
- **The district’s staffing has increased by three positions (8%).** The district employed 40 FTE staff in the 2015-16 school year compared to 37 FTE staff in 2011-12.
- **The district’s expenditures per FTE student have increased by about \$600 (5%).** The district spent about \$11,500 per FTE for regular education in the 2015-16 school year compared to \$10,900 per FTE student in 2011-12.

Figure OV-2, on page 5, summarizes district expenditures for the 2015-16 school year. Total district expenditures for that year were a little more than \$3.0 million. Our analyses excluded about \$485,000 of that total—primarily expenditures related to special education, KPERS, property, and equipment. Expenditures for special education services are excluded because the ways districts provide them vary significantly. Similarly, we excluded expenditures for property and equipment because they can vary substantially from year to year.

The Bucklin school district has more property wealth, a similar percentage of students in poverty, and fewer students who receive limited English proficiency services than the state average. In the 2015-16 school year, the district’s assessed property valuation per pupil was about \$127,300, which was significantly more than the state average of almost \$70,000. Additionally, 43% of Bucklin’s students received free lunches compared to the state average of 40%. Finally, about 3% of the district’s students received services for limited English proficiency, which is less than the state average of 10%.

**Figure OV-2
2015-16 Expenditures for the
Bucklin School District (a)**

Category	Total	\$ per FTE Student	% of Total
All District Expenditures (b)			
Regular Education	\$2,534,635	\$11,453	84%
Special Education	\$238,877	\$1,079	8%
KPERS (c)	\$132,761	\$600	4%
Property and Equipment	\$63,263	\$286	2%
Other	\$50,000	\$226	2%
Total (d)	\$3,019,536	\$13,645	100%
Expenditures Evaluated in This Audit (e)			
Expenditures by Function			
Instruction	\$1,561,375	\$7,055	62%
Operations & Maintenance	\$277,717	\$1,255	11%
District Administration	\$230,685	\$1,042	9%
Food Services (f)	\$187,132	\$846	7%
School Administration	\$140,990	\$637	6%
Transportation	\$92,943	\$420	4%
Student Support	\$40,407	\$183	2%
Instructional Support	\$3,385	\$15	0%
Total	\$2,534,634	\$11,453	100%
Expenditures by Object			
Salaries	\$1,586,488	\$7,169	63%
Benefits	\$359,619	\$1,625	14%
Supplies	\$327,167	\$1,478	13%
Purchased Services	\$231,355	\$1,045	9%
Other	\$30,005	\$136	1%
Total	\$2,534,634	\$11,453	100%
<p>(a) The district's independent financial auditors found a number of errors and misstatements in the district's accounting records after the district submitted its expenditure data to KSDE. As a result, the data the district submitted to KSDE had a number of significant errors. We corrected as many of those errors as was possible. However, due to the number of problems in the district's data, the figures presented in this table should be viewed as indicators rather than absolute fact.</p> <p>(b) Totals exclude transfers between funds.</p> <p>(c) The state pays the employer portion of KPERS on behalf of the district.</p> <p>(d) Totals may not add due to rounding.</p> <p>(e) Totals excluded property and equipment, special education, and certain categories such as construction and debt service.</p> <p>(f) A small portion of the district's food service program expenditures are classified as operations and maintenance expenditures. The district's total food service fund expenditures were about \$193,000.</p> <p>Source: LPA analysis of KSDE data.</p>			

Question 1: What Options Could the Bucklin School District Consider to Increase Operational Efficiency and Improve the Effectiveness of Their Financial Controls and Information Technology Security Controls?

We identified a number of opportunities for the district to operate more efficiently and improve the effectiveness of its financial controls and IT controls. In the low impact category, the district could save between \$20,000 and \$40,000 annually by reducing food service staff and implementing better management practices (p. 12). The district could also save between \$10,000 and \$15,000 annually by outsourcing its IT support (p. 15). Additionally, it could save between \$4,000 and \$8,000 annually by seeking bids or competitively shopping for insurance services (p. 16). Further, the district could generate up to \$3,000 in additional revenue annually by maximizing the use of its cash-back procurement cards (p. 17).

We identified one option that would have a moderate impact on students or the community. The district could save between \$25,000 and \$30,000 annually by switching to another distance learning option (p. 18).

Finally, we identified one option that would have a significant impact on students or the community. The district could save between \$50,000 and \$55,000 annually by consolidating or eliminating low-enrollment classes and reducing one teaching position (p. 20).

In addition to the savings and revenue options listed above, we also found an absence of written policies and procedures and poor financial controls that put the district at high risk of waste, fraud, and abuse (p. 22). Last, we found that past audits of the district's financial statements found significant problems with the district's accounting practices (p. 25).

School Efficiency Audits Identify Ways District May More Efficiently Use Resources Within the Current Structure of the K-12 Education System

The primary purpose of school efficiency audits is to identify ways districts may better use their current resources through increased efficiencies. We take a variety of steps (described in detail on page 9) to identify ways a school district could use its current resources more efficiently. Improvements in district efficiency can be defined in two ways:

- A school district could conduct the same activities with fewer resources.
- A school district could conduct more activities with the same resources.

Either of these options result in a school district that uses its resources more efficiently.

Our evaluation focuses on specific types of spending for a single district within the context of the current K-12 education system. We primarily focus on operational categories such as food service, operations and maintenance, transportation, and administration. We do not assess special education expenditures and our work related to student instruction is limited. This is because we are not education professionals and therefore lack the expertise to make recommendations regarding curriculum or instructional practices.

Additionally, this efficiency audit evaluates a single district (Bucklin) within the context of the current K-12 education system. Efficiencies may result from sharing resources across districts or consolidating certain functions. For example, districts may be able to reduce expenditures by consolidating certain functions such as purchasing or payroll across several districts. However, we typically do not assess those types of cross-cutting options and instead focus on areas an individual district can control.

The district and its board decide which audit recommendations they will pursue and how to use any savings or revenues they realize through increased efficiencies.

Although this audit recommends the Bucklin school district implement a number of actions, it is up to the district to determine which recommendations best serve its priorities. Further, district officials determine how best to use the savings it achieves if it implements our recommendations. Bucklin can use those resources in two ways:

- **The district can redirect savings or additional revenues to pay for other priorities.** For example, if the district saves \$30,000 by reducing its food service expenditures, it can use that money to purchase new textbooks, make technology improvements, or address other district priorities, while remaining budget neutral.
- **The district can use any savings or revenues to reduce its total expenditures and potentially lower its local tax burden.** Because the state funds K-12 education through student counts rather than direct expenditures, reducing costs rarely results in direct savings to the state. (One exception is when a district reduces its salary costs, which results in savings to the state in the form of reduced Kansas Public Employee Retirement System payments.) However, reducing costs or increasing other revenues might give the district the opportunity to lower its local property tax rates.

The Bucklin School District Volunteered for an Efficiency Audit and Reported Taking Actions to Improve Efficiency

Bucklin volunteered for an efficiency audit in 2016 pursuant to K.S.A. 46-1133.

District officials reported taking some actions in recent years to reduce its costs and improve the district's efficiency. Those actions include:

- **The district reported reducing certain staff over the last few years, although total district staffing has increased.** The district reduced principal positions from 2 to 1.5, reduced the superintendent position from full-time to part-time, and uses para-professionals more in the classroom. However, the district's overall staffing has increased by three FTE staff members over the last five years.
- **The district reported reducing its technology costs.** This includes replacing projectors with TVs because TVs last longer, and using parts from broken computers to prolong current computers' use.
- **The district reported taking steps to reduce transportation costs.** This includes using sport utility vehicles, rather than buses, when transporting small numbers of students. Additionally, the district negotiated a contract with the local co-op to help reduce the cost of motor fuel.

District officials have not tracked cost savings for these actions. Additionally, we did not perform any audit work to verify these reported actions.

We Analyzed Expenditures, Interviewed Staff, and Toured Facilities to Identify Potential Cost Savings Options

We compared the Bucklin school district's expenditures to peer districts on a per-student basis. We selected seven school districts whose demographics were similar in terms of size, property values, and the percent of students who have limited English proficiency or qualify for free lunches. Those districts were Ashland, Kiowa County, Minneola, Otis-Bison, Peabody-Burns, Pike Valley, and Thunder Ridge. *Appendix B* provides more information on how we selected them. We then compared Bucklin's expenditures on a per-student basis to these peer districts in several spending areas to identify potential outliers. These comparisons are shown in *Appendix C*.

We also surveyed district board members and staff, and interviewed Bucklin officials as well as officials from peer school districts. We conducted a survey of 56 Bucklin staff and school board members regarding their opinions on how efficiently the district operated. 19 of the 21 who responded reported the district operated efficiently or very efficiently (91%). We talked with officials in peer districts as well, to understand how they operated in certain areas. Last, we also consulted with an

experienced Kansas public school administrator under contract with our office who provided feedback on the feasibility and impact of our potential cost savings options.

We categorized the potential cost savings options 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 their instructional experience. For example, increasing the district's use of its cash-back purchasing cards (page 17) would not affect students.
- **Options that could have a moderate impact on students or the community, but should be considered.** These options could have some effect on students. For example, using a different type of interactive distance learning (page 18) would provide a somewhat different educational experience for students.
- **Options that could have significant impact on students or the community, but should be considered.** These options could potentially yield significant savings, but likely will also affect student instruction or the community in significant ways. For example, reducing one teaching position (page 20) could reduce the number of electives available to students.

We talked with district officials to get their input about the feasibility and consequences of implementing each savings option. In some cases, officials raised concerns about the effect our options might have on the students, the district, or the community. We assessed their concerns and adjusted our findings when appropriate. In other cases, we either disagreed with their concerns or were not able to fully assess their impact. However, we summarized these concerns and have included them in this report.

The Bucklin School District's Small Size Creates Challenges to Operating More Efficiently

The Bucklin school district's total enrollment for the 2016 school year was 221.3 FTE students, putting it among the smallest 15% of Kansas school districts. For small districts like Bucklin, cost saving actions may have a greater negative effect on students and thus be more difficult for the community to tolerate. For example, eliminating a single bus route in a large district that has 50 routes can likely be accomplished with only a small effect on students. On the other hand, eliminating a single bus route in a small district that only has two routes could double the amount of time students are on the bus and thus be more strongly opposed by the community.

Additionally, staff in small school districts often have several roles and responsibilities, which can make it difficult for those districts

to make staff cuts. For example, the transportation director in Bucklin also works in the maintenance department. Consequently, although it might be possible to reduce some of the director's responsibilities in the transportation department, it might not be possible to reduce his responsibilities in the maintenance department.

Last, the staffing reductions necessary to operate at a similar cost to peers may be so small they are not practical to implement. For example, reducing a staff position by 0.3 FTE might theoretically bring costs in line with peer districts, but may be impractical because of the difficulty in finding staff willing to work less than full-time.

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, increasing the district's use of its procurement card would not affect students' educational experience.

Figure 1-1, on page 12, summarizes the cost savings and revenue enhancements in this category. As the figure shows, the district could achieve between \$34,000 and \$78,000 in savings and \$3,600 in additional revenue if it implemented all options.

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

Figure 1-1 Summary of Cost Savings or Revenue Generating Options for the Bucklin 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
Reduce food supply and labor costs (a) OR Contract for the food service program	\$20,000 - \$40,000 \$45,000 - \$55,000	<ul style="list-style-type: none"> District officials did not have any specific concerns. 	<ul style="list-style-type: none"> None
Increase breakfast prices to its peer average	up to \$600 in revenues	<ul style="list-style-type: none"> District officials did not have any specific concerns. 	<ul style="list-style-type: none"> None
Outsource the district's IT support (b)	\$10,000 - \$15,000	<ul style="list-style-type: none"> District officials told us they did not like not having an IT person in the building. 	<ul style="list-style-type: none"> Three neighboring peer districts all contract their IT support and do not have full-time in-house staff. The district could pay a stipend to a teacher or other staff member who has the skills to troubleshoot minor issues to reduce the amount of time staff or students have to wait for assistance.
Request bids or shop around for property insurance AND Join the KASB workers' compensation pool	\$2,000 - \$5,000 \$2,000 - \$3,000	<ul style="list-style-type: none"> District officials did not have any specific concerns. 	<ul style="list-style-type: none"> None
Maximize usage of the district's cash-back purchasing cards	up to \$3,000 in revenues	<ul style="list-style-type: none"> District officials did not have any specific concerns. 	<ul style="list-style-type: none"> None
Total District Savings	\$34,000 - \$78,000		
Total District Revenue	\$3,600		
(a) These actions would also save the state \$1,000 to \$1,300 in annual KPERs contributions. (b) This action would also save the state about \$5,000 in annual KPERs contributions. Source: LPA analysis of KSDE data, audited district data, and interviews with district officials.			

The District Could Save Between \$20,000 and \$40,000 Annually by Reducing Food Service Staff and Implementing Better Management Practices

The Bucklin school district serves breakfast and lunch to its students each school day. In the 2015-16 school year, Bucklin spent about \$193,000 to serve about 41,000 meals. To do so, the district had to transfer about \$110,000 from its general and supplemental funds to the food service fund to help cover the program's cost.

In the 2015-16 school year, the Bucklin school district spent \$0.50 more per meal than its peer districts' average. Bucklin's per-meal cost was \$4.70 compared to the average per-meal cost of \$4.20 for the six peer districts we identified. To understand why the district's costs were greater than peer costs, we reviewed detailed expenditure and revenue data and interviewed Bucklin and peer district staff to understand how the district conducts various processes associated with the food service program.

By reducing its food service staff to peer levels, the district could save between \$10,000 to \$30,000. In 2015-16, the district's

wage costs were about 20% greater than its six peers on a per-meal basis (we excluded Ashland from this analysis because it was an outlier). In that year, Bucklin spent \$1.64 per meal on wage costs compared to the peer average of \$1.40. As a result, we compared Bucklin's food service staffing levels to a subgroup of three peer districts that each served a similar number of meals as Bucklin (Minneola, Peabody-Burns, and Pike Valley). Based on that comparison we found:

- **Bucklin's food service staff prepare about 25% fewer meals per FTE staff compared to three peers.** Food service staff in Bucklin serve and prepare about 10,800 meals per food service staff FTE. In comparison, peer districts prepared and served an average of 14,200 meals per FTE food service staff.
- **Bucklin has more food service staff (about 14%) to serve a similar number of meals.** Bucklin currently employs 3.8 FTE food service staff, whereas the three peers average 3.3 FTE. All the districts served about the same number of meals per year.

If Bucklin aligned its staffing with the three peer districts in the subgroup on either a per-meal served basis or a total staff basis, it could reduce its food service staff by 0.5 FTE to 1.0 FTE and save \$10,000 to \$30,000 annually.

Reducing food service staff by this amount would also save the state between \$1,000 and \$2,500 annually in Kansas Public Employees Retirement System (KPERS) contributions. Because the state pays the employer share of KPERS (instead of the district), it achieves savings when districts reduce salary costs. In this case, reducing the district's staff salaries would also reduce the state's KPERS obligation.

The district could further control costs by actively managing its food service budget. We interviewed district staff to understand how they manage the food service program. Based on those interviews we identified several weaknesses in the districts food management operations that do not align with best practices:

- **The district could do more to evaluate its food supply budget each year.** District officials told us they look at the previous year's total spending and spending per student to determine the food service budget. Since the budget is largely based on the previous year's spending, the district is at risk of replicating poor spending practices year after year. Additionally, since the district uses a cost-per-student metric in calculating the program's budget, it is not getting a clear idea of how much each meal costs because not every student purchases a meal.
- **The district does not track or inventory its food purchases on a regular basis.** Although officials told us they cannot recall a time

when they have had an issue with over or under-ordering food, it is still a good practice to track purchases and maintain inventories. Without this information, the district lacks the detailed information it needs to guide its purchasing and to eliminate food waste.

- **On some occasions, the district has transferred more money from its general operating funds than it needed to shore up its food service fund.** Ideally, school districts should raise enough revenues from meal prices and state and federal meal reimbursements to cover the cost of the district's food program. However, when it cannot generate enough revenue, the district must transfer money from its general or supplemental funds to its food service fund to make up the difference.

We found that in some years the district transferred about what it needed, but in other years it transferred significantly more than was necessary. Because federal rules prohibit districts from using food service funds for any purpose other than the food service program, once the district transfers money to the food fund it cannot use those funds for any other purpose.

The district could save up to \$10,000 annually by competitively shopping and buying in bulk when possible. In the 2015-16 school year, Bucklin spent about 5% more on food supplies than three of its peers—Otis-Bison, Peabody-Burns, and Pike Valley. Bucklin spent \$2.22 per meal compared to the \$2.12 average spent by these three districts. We interviewed officials from Bucklin and the three peer districts to understand how each district purchases food supplies. We chose the three peer districts because they had lower food supply costs on a per-meal basis. We also reviewed previous school efficiency audits to identify steps other districts have taken to reduce costs. We compared those practices to Bucklin's practices and identified factors that likely contribute to the district's higher costs:

- **The district does not solicit bids or competitively shop for the best food supply prices.** The more efficient peer districts we spoke to regularly solicit bids or request quotes from vendors on some or all food supplies. By not taking this step, Bucklin loses a good opportunity to achieve the lowest food supply prices possible.
- **The district does not purchase its food supplies in bulk.** When districts purchase in bulk they can often negotiate a better price. Bucklin officials told us they do not purchase in bulk because they have limited storage space. Although space limitations could clearly restrict the number and types of items it could purchase in bulk, it does not preclude them from buying at least some items in bulk. By not taking this step to the degree that it can, the district is missing an opportunity to purchase items at lower prices.

We also found the district could generate about \$600 annually by increasing its breakfast prices to the peer average. We compared what the district charges for breakfast to what its peers

charged and found Bucklin charges an average of \$1.35 per breakfast while its seven peers charge an average of \$1.46. If the district increased its breakfast prices by \$0.11, it could increase its revenues by about \$600 annually.

Finally, the district could consider contracting its food service program to a vendor to further reduce costs. Some districts contract with an outside vendor to manage their food service programs. Typically, the vendor hires staff, plans the menu, purchases supplies, and takes care of any other tasks associated with managing the district's food service program. The district pays the vendor a pre-determined amount (either a flat rate or an amount per meal).

Although it is less common for small school districts to contract out their food program, we identified two small districts (Peabody-Burns and Troy) that have taken this step. Like Bucklin, both districts are relatively small (fewer than 330 students) and serve a similar number of meals each year. However, the average per-meal costs in these districts were far less—\$3.50 per meal compared to \$4.70 per meal for Bucklin. If contracting with a vendor resulted in similar costs for Bucklin, the district could save between \$45,000 and \$55,000 annually.

District officials did not raise any concerns about implementing any of the above options.

The District Could Save Between \$10,000 and \$15,000 Annually by Outsourcing its IT Support

The district currently employs one full-time information technology (IT) staff who provides support to 221 students and 40 employees. He is responsible for troubleshooting technology problems for administrative staff and in the classroom, and for monitoring student computer use.

In the 2016-17 school year, Bucklin spent twice as much on IT support for students and staff than its nearby peer districts.

Bucklin spent about \$36,400 for IT support while three peer districts who border Bucklin (Minneola, Ashland, and Kiowa County) spent an average of \$16,600. Additionally, the district's expenditures were also twice as much as its peers on a per-student basis (\$164 per student for Bucklin compared to the peer average of \$79).

Bucklin could save \$10,000 to \$15,000 annually by outsourcing its IT support.

None of the three nearby peer districts have in-house IT staff, but instead each district outsources its IT support. One of the peer districts does provide a teacher a small stipend (\$3,500 a year) to troubleshoot minor issues as they arise. The

three peer districts use different vendors, all three of which could potentially be an option for Bucklin. Additionally, Bucklin's proximity to Dodge City (about 30 minutes) could provide additional vendor options for the district.

Outsourcing the district's IT support would also save the state about \$5,000 annually in KPERS payments. Although the district would pay a vendor to provide the same service, the vendor's staff would not be a district employee, and thus would not qualify for KPERS.

District officials were concerned about not having dedicated IT staff in the school to troubleshoot problems. Outsourcing would reduce the amount of time that IT support staff are in the school building and could potentially cause delays in fixing computer issues. However, in the course of other school district audits, we have consistently found that many small school districts do not have in-house full-time IT staff. Last, the district could pay a stipend to a teacher or other staff member who has the skills to troubleshoot minor issues to reduce the amount of time staff or students have to wait for assistance from a vendor.

The District Could Save Between \$4,000 and \$8,000 Annually by Seeking Bids or Competitively Shopping for Insurance Services

Like all school districts, Bucklin purchases different types of insurance including property and workers' compensation insurance. The district insures its school building and several smaller buildings against fire, storm, accidents, and other damage. The district also maintains workers' compensation insurance to pay employee benefits for job-related injuries, disability, or death. In the 2016-17 school year, the district spent about \$36,000 for these two types of insurance.

The district could save \$2,000 to \$5,000 by competitively shopping for property insurance. It is good practice for a district to request bids or competitively shop for insurance services to ensure it receives appropriate coverage at a good value. However, the Bucklin district has used a local insurance agent for many years and district staff were unsure when the district last sought bids or considered other options. Because much of the district's administration is new and unfamiliar with past decisions, we were unable to determine why the district has not sought bids for insurance in previous years.

An insurance agent we spoke with confirmed that not regularly soliciting bids can cause districts to pay more than they should in premiums. The agent estimated a district that has not sought bids in several years could save up to 20% by doing so. At Bucklin's current cost of about \$24,000 for school year 2016-17, this could

translate to a potential savings of almost \$5,000. The agent also noted a district may not have to change companies to realize savings by bidding because companies will often reduce their price to retain a district's business. The agent also provided us a metric of "premium paid to value of property covered" to help determine if the district is getting a good deal on its property insurance. Based on that metric Bucklin appears to spend about 10% more than is necessary.

By joining the Kansas Association of School Board's (KASB) workers' compensation pool, Bucklin also could save \$2,000 to \$3,000 annually and receive slightly better coverage. In 2016-17, the district spent about \$12,000 on workers' compensation insurance. Using district-provided payroll information, KASB officials estimated the district's likely cost to purchase workers' compensation insurance through their pool. We compared KASB's estimate to the district's current workers' compensation costs and found it would cost Bucklin less to purchase through KASB. This is largely because the KASB pool is substantially larger, thus spreading the risk and reducing costs. Further, by comparing the district's current policy to KASB's coverage we found KASB's pool offers slightly better coverage in the event the district is sued due to an on-the-job injury of an employee.

District officials did not raise any concerns about implementing these options.

The District Could Generate up to \$3,000 in Additional Revenue Annually by Maximizing the Use of its Cash-Back Procurement Cards

A procurement card is a credit card that allows district employees to purchase items directly, instead of through the district's typical purchasing process. Bucklin currently has five procurement cards which offer 1% cash-back rebates. In the 2015-16 school year, the district used its procurement cards to make about \$29,000 in purchases.

Maximizing the use of the cash-back procurement cards, could generate up to \$3,000 in additional revenue annually. Bucklin purchased only 5% of its supplies and services through its cash-back procurement card in 2015-16. Based on our work in other districts, we estimate the district could purchase up to 75% of its supplies (about \$174,000) and about 50% of its services (about \$153,000 after excluding utilities and payments made to the district's special education cooperative). This would generate about \$3,000 in cash-back rebates.

District officials did not raise any concerns about implementing this option.

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

The cost saving option in this section could have a moderate impact on students and teachers. The option of switching to a different distance learning program we identified, would be a moderate change for the district’s students and teachers. **Figure 1-2** summarizes the costs savings related to this option. As the figure shows, the district could achieve \$25,000 to \$30,000 in annual savings if it implemented the option.

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 Bucklin School District With a <u>Moderate Impact</u> on Students or the Community			
Option	Annual Cost Savings/ Increased Revenues	School District Officials’ Concerns	LPA Assessment of District Officials’ Concerns
Switch to other distance learning options such as the Greenbush interactive distance learning option	\$25,000 - \$30,000	<ul style="list-style-type: none"> District officials were concerned about not having a teacher available everyday but thought this was a viable option if other options did not work out. 	<ul style="list-style-type: none"> The Greenbush interactive distance learning option provides access to a teacher every day as well as an instructor who teaches the coursework two days per week.
Total District Savings	\$25,000 - \$30,000		

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

The District Could Save Between \$25,000 and \$30,000 Annually by Switching to Another Distance Learning Option

It is not uncommon for small rural school districts to use interactive distance learning networks to provide additional courses (usually electives) to its students. In a distance learning program, students attend class in their school but the teacher teaches from a different location. Often, the class is delivered simultaneously to several districts. Students and teachers can interact in real-time through cameras and video screens in the classroom. Districts typically pay a fee to join the network and then also pay a fee for every student who takes a course.

In the 2016-17 school year, Bucklin spent about \$55,000 to provide four courses to 33 students through its interactive distance learning (IDL) network. The district provided art, speech, Spanish, and college algebra through this network. District officials told us they thought the network was expensive and not as flexible as the district needed. Because the IDL network delivers courses in a live format, the district must match its daily schedule to the network’s schedule. Officials told us they were interested in other options that might provide more flexibility and be less expensive.

The Southeast Kansas Education Service Center (Greenbush) offers a program that is more flexible and could save the district between \$25,000 and \$30,000 annually. The Greenbush service center provides various services to school districts including training, technical support, and access to various curricula. We contacted Greenbush to identify any curriculum services that might be a feasible alternative to Bucklin's current IDL network.

Greenbush provides an IDL service (Greenbush Blended Learning) which combines access to online courses with live teaching two days a week. Using this program, Bucklin students would have access to their coursework online from school each day (students would have also access to their course from anywhere at any time). Greenbush would provide a teacher two-days a week who would teach the material and answer student questions. This teacher would be available by interactive video, much like how Bucklin's current IDL network operates. This program is still new, but service center officials told us 13 districts will participate in the 2017-18 school year.

The Greenbush program would be both less expensive and more flexible than Bucklin's current IDL network. The Greenbush high school courses are \$750 per student per course, which is less than half of what the district spent in the 2016-17 school year (\$1,700 per student per course). Additionally, it would provide greater flexibility because Greenbush would make its teachers available at the times the district prefers.

District officials were concerned the Greenbush service does not provide live instruction every day. Officials told us students prefer live instruction and struggling students especially benefit from instruction every day. Although the Greenbush program does not offer live instruction every day, it does provide daily access to a teacher. Overall, Bucklin officials thought the Greenbush service was viable but planned to explore additional options through its current IDL network first.

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

The cost saving option –consolidating low enrollment classes and reducing 1.0 FTE teaching positions—would significantly affect the district’s students and teachers.

Figure 1-3 summarizes the costs savings related to this option. As the figure shows, the district could achieve \$50,000 to \$55,000 in annual savings if it implemented the option.

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

Figure 1-3 Summary of Cost Savings or Revenue Generating Options for the Bucklin School District With a <u>Significant Impact</u> on Students or the Community			
Option	Annual Cost Savings/ Increased Revenues	School District Officials’ Concerns	LPA Assessment of District Officials’ Concerns
Reduce 1.0 FTE teaching position (a)	\$50,000 - \$55,000	<ul style="list-style-type: none"> District officials were concerned about reducing staff in case enrollment in those courses increase in the future, but they did indicate that it was an option they might consider in the future. 	<ul style="list-style-type: none"> If enrollment in certain courses increase in the future, other course will see a corresponding decrease. Also, the district has declining enrollment, and will likely be unable to maintain the number of electives it currently has.
Total District Savings	\$50,000 - \$55,000		

(a) This action would also save the state \$5,000 to \$6,000 in annual KPERS contributions.
Source: LPA analysis of KSDE data, audited district data, and interviews with district officials.

The District Could Save Between \$50,000 and \$55,000 Annually by Consolidating or Eliminating Low-Enrollment Classes and Reducing One Teaching Position

We reviewed Bucklin’s 2016-17 class schedule to identify low-enrollment courses that could be consolidated or eliminated to make more efficient use of the district’s teaching staff. Because it is not unusual for small school districts to have many classes with few students, we focused on certain programs that had low student participation overall.

Two of the district’s three career and technical education programs have very low student participation. Career and technical education (CTE) programs prepare students for skilled trades or other specific careers. Generally, these courses are electives, so students choose whether to take them. The district has three career and technical education teachers who teach courses in three programs: industrial arts, agriculture, and business.

We found two of the Bucklin’s CTE programs had few enrolled students. The high school classes in the industrial arts program (e.g., welding, carpentry) and the agriculture program (e.g. animal

science, agricultural fabrication) averaged just three students per class. Additionally, none of the 10 classes in these programs had more than six students. By contrast, the classes in the business program (e.g., accounting, marketing) averaged seven students per class, with all but two of the classes having at least five students.

If the district consolidated or eliminated certain low-enrollment CTE courses, it would need one fewer teaching position and could save \$50,000 to \$55,000 annually. We examined ways Bucklin could consolidate or eliminate its agriculture and industrial arts courses to make better use of the district’s teaching staff. The industrial arts and agriculture teachers each teach three courses with three or fewer students. In addition, the industrial arts teacher has an extra planning period each day because one of their courses has no students enrolled. If the district consolidated or eliminated its low-enrollment courses in these areas, it could reduce one teaching position and save \$50,000 to \$55,000 annually.

Based on the district’s current schedule, and considering what certifications each teacher holds, we identified multiple options for consolidating these classes. **Figure 1-4** shows one option for consolidating or eliminating certain low enrollment CTE courses. As the figure shows, the district could consolidate courses in a way that would allow the reduction of one teaching position while maximizing the number of courses that are still available. The scenario in the figure simply demonstrates one option the district could take, but other options exist that would also result in potential staffing savings.

Figure 1-4
Comparison of Bucklin’s Career and Technical Education (CTE) Courses and Enrollment Before and After Teacher Reduction

Current Schedule and (Student Enrollment)							
	Period One	Period Two	Period Three	Period Four	Period Five	Period Six	Period Seven
Teacher One	Ag. Fabrication/ Welding (0)	Planning Period	Carpentry (4)	Introduction to Technology (5)	Introduction to Technology (2)	Principles of Woodworking I/II (2)	Junior High Shop (a) (11)
Teacher Two	Ag. Welding I/II (6)	Planning Period	Advanced Plant and Animal Science (b) (1)	Ag. Fabrication/ Welding (1)	Animal Science (b) (6)	Agricultural Internship (3)	Junior High Agriculture (a) (b) (9)
Possible Schedule and (Student Enrollment) <u>After</u> Course Consolidation (c)							
	Period One	Period Two	Period Three	Period Four	Period Five	Period Six	Period Seven
Teacher	Ag. Fabrication/ Welding (1)	Ag. Welding I/II (6)	Woodworking and Carpentry (6)	Introduction to Technology (7)	Agricultural Internship (3)	Planning Period	Junior High Shop (20)

(a) These are junior high courses taught by high school teachers. They are mandatory classes for junior high school students and so are excluded from our analysis of high school CTE electives.
 (b) This course would no longer be offered in the scenario illustrated in this chart.
 (c) This represents just one option for how the district could consolidate its CTE classes. It would be up to the district to decide if and how it would consolidate its courses.
 Source: LPA analysis of the district’s schedule and enrollment numbers.

Reducing one teaching position would also save the state approximately \$5,000 to \$6,000 annually in KPERS payments.

District administrative staff thought some agriculture and industrial arts classes may have greater student interest in the future and were concerned about reducing staff. Staff told us the popularity of CTE courses was cyclical and thought agriculture and industrial arts courses might become more popular again in the future. Although district officials had reservations about taking this action now, they did indicate it was an option the district may eventually consider.

OTHER FINDINGS

The Absence of Written Policies and Procedures and Poor Financial Controls Put the District at High Risk of Waste, Fraud, and Abuse

Best practices recommend organizations have adequate policies and procedures to protect their assets, such as maintaining an up-to-date inventory of equipment and supplies or establishing strong processes for handling cash. To evaluate the district's financial controls, we interviewed staff and reviewed various policies, procedures, and other financial documents to understand the district's practices. This was a limited review which focused on controls associated with cash handling, purchasing, procurement cards, and inventories. It was not a comprehensive assessment of all the district's financial controls.

The district lacks written policies, procedures, and job descriptions related to many key financial controls. Best practices recommend written policies and procedures to describe a district's expectations for various financial controls, and to create job descriptions which define who is responsible for various tasks. However, Bucklin lacks written policies and procedures to guide many critical functions in the district including bank reconciliations, bill payment, and cash handling procedures. The district also lacks written job descriptions which outline who is responsible for these tasks. The current superintendent, who is in his first year with the district, was unaware these had not been developed. Further, it does not appear the board took steps to direct and oversee this process.

The lack of written policies, procedures, and job descriptions increases the risk that important tasks are not completed or are not carried out correctly. In addition, this can lead to miscommunication between staff members and inconsistency in how important tasks are completed. The district has had considerable turnover in important positions in the last several years (the district's current superintendent is the third in six years

and the current board clerk is the third in two years). This degree of turnover further necessitates written policies and procedures to help ensure tasks and responsibilities are transferred smoothly when staff leave.

In some important areas, the district had developed good policies and procedures, but they were not consistently followed. Although the district lacks written policy and procedures in many areas, it had several policies that represent important controls for preventing waste, fraud, and abuse. However, district staff did not always follow them, including:

- **The district does not maintain an inventory of its physical assets as required by policy.** District policy requires the superintendent to develop an inventory process, to include certain information in that inventory (value, date of purchase, where it is located) and to update it annually. Not tracking valuable assets can increase the risk of theft if employees realize no one is keeping track of items. It also makes it less likely officials would be able to detect when items are missing. Further, it puts the district at risk of overspending because it may not know what it already has. Finally, the lack of an inventory also makes strategic planning more difficult because the district may not know how old its equipment is or when it should be replaced.
- **Two purchase orders were not approved by the superintendent or the board clerk as required.** District policy requires the superintendent or board clerk to sign all purchase orders. We performed a limited review of six purchases and found two purchases were not approved in accordance with policy: One was a miscellaneous purchase for about \$1,200, but the other was for a \$18,000 computer purchase. Requiring the superintendent or board clerk to sign a purchase order helps prevent fraud and abuse because it makes it more difficult for an employee to order items without oversight. Further, it can help prevent waste by ensuring the purchase has not already been made, is necessary, and aligns with the district's long-term plans.
- **Some checks were not signed by the appropriate signatories as designated in policy.** District policy requires two of three designated individuals (the board president, board clerk, or board treasurer) sign all checks. However, in some instances checks written from the student activity fund had only one of the required signatories. Although a second individual signed each of those checks, that individual was not one of the designated individuals identified in policy.

Although some of the problems noted above occurred under a different superintendent and board clerk, it appears the district's board did not provide appropriate oversight of these activities. Further, because of the frequent turnover in critical positions in this district, it is essential that the board exercise oversight of the

superintendent and board clerk's activities to ensure policies are followed.

Many of the district's financial management practices lack critical internal controls, putting the district at high risk of fraud and abuse. A school district's financial and accounting practices should align with best practices and be sufficient to reasonably prevent and detect waste, fraud, and abuse. During our review of those practices, we noted problems in the following key areas:

- **The district does not have appropriate division between the various cash handling duties.** Bucklin has one individual who administers nearly all aspects of cash handling including initiating transactions, recording them in the district's accounting software, and reconciling them against bank statements. These activities should be divided between at least two people. Without proper segregation, a person could write a check to themselves, then sign, cash, and process it without anyone noticing the improper transaction. Although dividing responsibilities can be difficult in a small district, it can be done. By involving a secretary or the superintendent in some aspect of the process, the district could reduce its risk of error, fraud, or abuse.

Similarly, Bucklin allows the same staff person to give out tickets and take in gate receipts for school functions. Although the district has two people involved in this activity, both individuals perform the functions rather than dividing them, thus increasing the risk of theft.

- **The district lacks accurate bank statement reconciliations.** We found a number of issues in the district's monthly bank statement reconciliations including statements that did not reconcile but were not corrected and outstanding transactions that were not accounted for. Reconciling bank statements accurately every month is a critical component in detecting fraud.
- **The district's clerk is not adequately supervised to ensure important financial activities are carried out and done correctly.** We noted on several occasions tasks such as bank statement reconciliation and corrections made to the district's accounting records were not completed appropriately. These issues were repeated over time and appeared to have occurred because no one reviews the board clerk's work. These are critical tasks that a supervisor should review periodically to ensure they are done correctly.
- **The district does not use "positive pay" as a fraud control.** Positive pay is an automated fraud detection tool which most banks offer. The bank compares the checks it receives against a list of preauthorized checks the district provides. The list includes identifying information such as the check number, to the payee, and the amount of the check. If the information does not match the preauthorized list, the bank will not process the check and the district is alerted. Banks typically charge a monthly fee for the service and an additional fee for every check that does not match. By not using

positive pay, the district is missing a potentially effective tool for detecting possible fraudulent activity.

The absence of written policies and procedures and lack of good controls significantly increases the district's likelihood of fraud and abuse and decreases the likelihood that it would be detected. However, although the district is at greater risk, we did not identify any instances of actual fraud, but our review was limited.

Past Audits of the District's Financial Statements Found Significant Problems With the District's Accounting Practices

School districts are required to have an independent certified public accountant (CPA) audit their financial statements every year. This audit applies appropriate accounting standards and state and district policies to assess whether the district's financial statements accurately represent the district's financial position. These audits do not specifically evaluate a district's financial controls, but auditors may note areas of concern in internal controls if they find them. If significant internal control concerns are identified, auditors must report those concerns to management.

In each of the past four years, the district's independent auditors noted significant accounting errors or internal control deficiencies. The firm that conducted the audits classified some of the accounting errors as material misstatements which means the dollar amount of the error was significant enough that the district's financial information was considered misleading or unreliable. These types of errors included revenues and expenditures that were not recorded in the correct year and not recorded in the correct fund. Additionally, the auditors noted weaknesses in the district's internal controls including unapproved employee retirement benefits, incomplete bank statement reconciliations, and a lack of supporting documentation for activity fund expenditures.

It is important to note that it is rare for a district to have problems with their internal controls or their financial statements which rise to a level that the independent auditors formally include them in the audit report. These types of problems are the exception, and should be taken seriously.

Although many of the specific problems in the audit reports were not repeated from year-to-year, the general nature of the recurring problems indicates Bucklin struggles to maintain accurate financial records and to adhere to good financial controls. Because of the district's lack of written policies and procedures and the recent turnover in key positions, it is unclear whether the district has corrected the problems noted by the independent auditors. However, district staff reported they were aware of the past years' problems and were working to correct those issues.

Recommendations

To comply with the requirements of K.S.A. 56-1133:

1. District officials should post a copy of the completed performance audit on the district's website.

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

2. Reduce the district's food service costs and increase the program's efficiency by taking the following actions:
 - a. reduce the district's food service staff (p. 12).
 - b. evaluate revenues and expenditures annually to set a target transfer amount for the current year and a target carryover amount. The district should then transfer only that amount (p. 14).
 - c. create policies and procedures that direct the food service director to bid or request quotes each year for food supplies (p. 14).
 - d. purchase food supplies in bulk to the degree that is possible (p. 14).
 - e. increase the district's breakfast meal prices to its peers' average to generate additional revenue for the food program (p. 14).
 - f. consider contracting with a vendor to provide food service for the district (p. 15).
3. Reduce the district's IT support costs by contracting with a vendor to provide the district's IT support services (p. 15).
4. Reduce the district's property and workers' compensation insurance costs by taking the following actions:
 - a. develop policies and procedures that require the district to periodically solicit bids or competitively shop for property insurance services (p. 16).

- b. reduce the district's workers' compensation insurance costs by joining the Kansas Association of School Board's workers' compensation insurance pool (p. 17).
5. Develop and implement a strategy to maximize the district's use of its cash-back purchasing cards (p. 17).

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

6. Reduce the district's costs associated with its IDL network by taking the following actions:
 - a. evaluate the Greenbush interactive distance learning option as well as any other alternatives the district can identify (p. 19).
 - b. consider switching from the district's current IDL network to the Greenbush blended learning program (p. 19).
7. Reduce district costs and use teachers more efficiently by taking the following actions:
 - a. evaluate the district's career and technical education offerings considering student interest, projected high school enrollment, and funding (p. 21).
 - b. consider eliminating 1.0 FTE career and technical education teacher (p. 21).

To address the district's financial controls and other policy issues we identified, the district should implement the following actions:

8. To address the lack of written policies and procedures, the district should take the following actions:
 - a. the superintendent and board should review the district's current policy and procedure manual to determine which district activities lack sufficient written policies and then create policies to guide those activities. If necessary, the district should contact the Kansas Association of School Boards or the Department of Education for assistance (p. 22).
 - b. the superintendent, board clerk, and other appropriate staff should develop written job descriptions (p. 22).

- c. the school board should review and approve the new policies and procedures and job descriptions (p. 22).
- 9. To address the issue of district policies that are not being followed, the superintendent and board clerk should familiarize themselves with the district's policy and procedures manual and then align the district's practices to it (p. 23).
- 10. The superintendent and school board should exercise appropriate supervisory oversight over the board clerk's activities by periodically reviewing expense reports, bank reconciliations, or other documents as necessary (p. 24).
- 11. The district should consult with its bank and consider enrolling in positive pay to help reduce the risk of check fraud (p. 24).
- 12. The district should develop policies and practices to address the weaknesses in financial controls noted in the district's external audit reports (p. 25).
- 13. The district should implement the recommendations related to IT security as described in the confidential management letter.

APPENDIX A
Agency Response

On June 16, 2017, we provided copies of the draft audit report to the Bucklin school district. Its response is included as this appendix. Following the district's written response is a table listing its specific implementation plan for each recommendation.

District officials generally concurred with the report's findings, conclusions, and recommendations.

UNIFIED SCHOOL DISTRICT #459
P.O. BOX 8 BUCKLIN, KANSAS 67834

Legislative Division of Post Audit
800 SW Jackson Suite 1200
Topeka, Ks. 66612

To whom it may concern,

Bucklin USD459 acknowledges the results of the audit and plans to actively engage with our external auditor, board, clerk and administration to address the listed concerns in any and all way's feasible.

Sincerely,



Kelly Lampe
Superintendent
Bucklin USD 459

Itemized Response to LPA Recommendations

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

LPA Recommendation	Agency Action Plan
Question 1	
1. District officials should post a copy of the completed performance audit on the district's website.	The district will post a copy of the audit on the school website when it is finalized and released to the public.
Because of the potential for reducing costs or generating revenue with little to no impact on the educational services provided to students, the district <u>should</u> implement the following options:	
2. Reduce the district's food service costs and increase the program's efficiency by taking the following actions:	
a. reduce the district's food service staff	The district has already reduced the food service staff from 3.8 FTE to 2.5.
b. evaluate revenues and expenditures annually to set a target transfer amount for the current year and a target carryover amount. The district should then transfer only that amount.	The district will compare previous costs and expenditures and transfer the proper amount as necessary.
c. create policies and procedures that direct the food service director to bid or request quotes each year for food supplies.	Measures have been taken to instill a bidding process with competition based quotes.
d. purchase food supplies in bulk to the degree that is possible.	The district is limited on storage facilities but will buy in bulk to the extent possible.
e. increase the district's breakfast meal prices to its peers' average to generate additional revenue for the food program.	Prices have already been set and board approved for next year but are evaluated and analyzed annually.
f. consider contracting with a vendor to provide food service for the district.	The district researched the feasibility of a privately contracted vendor about providing food service for the 2016/2017 school year and decided there was limited efficiency to be gained. We will research again in the coming year.
3. Reduce the district's IT support costs by contracting with a vendor to provide the district's IT support services.	The board has experimented in the past with outsourcing technology maintenance and operations. They were not satisfied with the results citing many issues resulting from a lack of a technician presence on campus.
4. Reduce the district's property and workers' compensation insurance costs by taking the following actions:	
a. develop policies and procedures that require the district to periodically solicit bids or competitively shop for property insurance services.	The district has solicited bids on the school wide policies.
b. reduce the district's workers' compensation insurance costs by joining the Kansas Association of School Boards' workers' compensation insurance pool.	The bid solicitation for workers' compensation included a bid from the KASB.
5. Develop and implement a strategy to maximize the district's use of its cash-back purchasing cards.	The district already uses cash back cards, but is in the process of placing more recurring expenses on a purchasing card payment basis. We are also investigating more profitable reward cards.

Because of the potential for moderate or significant impact on students or the community the district <u>should consider</u> implementing the following cost savings options:	
6. Reduce the district's costs associated with its IDL network	
a. evaluate the Greenbush interactive district learning option as well as any other alternatives the district can identify.	The distance learning cooperative Bucklin has been a part of for many years was greatly refined and streamlined this year. Next year the costs will already be much lower with better services. We are going to closely evaluate the program during the next school year and will continue to evaluate other options in the future.
b. Consider switching from the district's current IDL network to the Greenbush blended learning program.	
7. Reduce district costs and use teachers more efficiently by taking the following actions:	
a. evaluate the district's career and technical education offerings considering student interests, projected high school enrollment, and funding.	As with most small agricultural based schools in Western Kansas, low enrollment in specific skill and task based technical classes is a concern. The feasibility of future options regarding this situation are being investigated, but we consider agricultural and technical courses an important part of our curriculum.
b. consider eliminating 1.0 FTE career and technical education teacher.	
To address the district's financial controls and other policy issues we identified, the district <u>should</u> implement the following actions:	
8. To address the lack of written policies and procedures, the district should take the following actions:	
a. the superintendent and board should review the district's current policy and procedure manual to determine which district activities lack sufficient written policies and then create policies to guide those activities. If necessary, the district should contact the Kansas Association of School Boards or the Department of Education for assistance.	The district has contracted with KASB to undergo a full evaluation and refinement with suggested changes for our: board policy handbook, employee handbook, student handbook, and negotiated agreement.
b. the superintendent, board clerk, and other appropriate staff should develop written job descriptions.	KASB has also been contacted about job description templates. The district intends to pursue updating our job description protocol.
c. the school board should review and approve the new policies and procedures.	The school board will review all changes in policy and procedures.
9. To address the issue of district policies that are not being followed, the superintendent and board clerk should familiarize themselves with the district's policy and procedures manual and then align the district's practices to it.	The Superintendent and board have taken significant steps to establish proper, and adhere to, said policies.
10. The superintendent and school board should exercise appropriate supervisory oversight over the board clerk's activities by periodically reviewing expense reports, bank reconciliations, or other documents as necessary.	The board clerk provides a balance statement and reconciliation ledger on a weekly basis to be reviewed by the Superintendent and board. This information is also included in the board packet at each monthly meeting.
11. The district should consult with its bank and consider enrolling in positive pay to help reduce the risk of check fraud.	The district will investigate the feasibility of 'positive pay' to reduce risk of check fraud.
12. The district should develop policies and practices to address the weaknesses in financial controls noted in the district's external audit reports.	The district has taken significant steps to address the weaknesses in financial controls. The issues cited repeatedly in the audit report largely occurred well over two years ago, were known to the administration and the board and steps were taken to reconcile bank statements and accounts. Issues were not recurring in nature and were corrected within the period in which they occurred.
13. The district should implement the recommendations related to IT security as described in the confidential management letter.	The district will evaluate IT security upgrades and training.

APPENDIX B
Information about Peer District Selection

This appendix contains demographic information for Bucklin and the seven school districts we selected as its peers. The table also includes certain state average statistics for comparison purposes.

To select peers for the Bucklin school district, we did two things:

- We calculated the following demographic measures for all Kansas school districts:
 - Total enrollment
 - Percent of students who receive free lunches
 - Percent of students who have limited English proficiency
 - Total assessed property value per student

- We developed a statistical model to identify peer districts that were most similar to the Bucklin school district based on those measures.

Demographic Information for the Bucklin School District, its Peer Districts, and the State Average (2015-16 school year)					
USD #	Name	FTE Students	% Free Lunch	% Limited English Proficiency (a)	Assessed Valuation Per Pupil
State Average		N/A	40%	10%	\$69,901
110	Thunder Ridge	215.5	46%	0%	\$91,063
219	Minneola	233.7	43%	0%	\$99,161
220	Ashland	189.9	38%	2%	\$120,610
398	Peabody-Burns	242.5	41%	0%	\$99,910
403	Otis-Bison	214.3	43%	0%	\$115,359
422	Kiowa County	232.5	36%	0%	\$147,970
426	Pike Valley	211.5	42%	0%	\$90,462
459	Bucklin	221.3	43%	3%	\$127,292
(a) These numbers reflect the 2014-15 school year. Source: Audited KSDE data.					

APPENDIX C

Comparison of Bucklin's Expenditures to Its Peer Districts

This appendix contains a comparison of Bucklin's expenditures in several categories compared to its peer districts. As noted on page 25, the district's certified public accountants found a number of errors in the district's most recent financial statements. These errors were found after the district submitted its accounting records to the Kansas State Department of Education (KSDE). As a result, the KSDE data for Bucklin in this appendix likely has a number of errors. Consequently, this table should be viewed as an indicator of how the district compares to its peers rather than absolute fact.

As noted on page 2, we corroborated the data we based savings options on with other sources as much as possible and made other adjustments when necessary. In our opinion, the modified data are sufficient and appropriate to support the findings and conclusions in the report.

