



PERFORMANCE AUDIT REPORT

K-12 Education: Efficiency Audit of the Kansas City School District

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
July 2013**

Legislative Division of Post Audit

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July 17, 2013

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 Kansas City School District*. 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,

A handwritten signature in black ink, appearing to be 'S. Frank'. The signature is fluid and cursive, with a large, sweeping flourish at the end.

Scott Frank
Legislative Post Auditor

This audit was conducted by Heidi Zimmerman, Lynn Retz, and Matt Etzel. Justin Stowe was the audit manager. If you need any additional information about the audit's findings, please contact Heidi Zimmerman at the Division's offices.

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K-12 Education: Efficiency Audit of the Kansas City School District

During fiscal year 2010, the Legislative Division of Post Audit conducted voluntary efficiency audits of school districts. Officials from several school districts volunteered for the audits as a way to help them identify ways they could reduce costs without significantly affecting the education they provide students. In total, we conducted seven school district efficiency audits. Among other things, these audits found potential savings related to food service programs, high school scheduling, and consolidating administrative functions into a single building.

During the 2012 legislative session, legislators expressed an interest in having us perform additional efficiency audits similar to those performed in 2009 and 2010. As a result, the Legislature included a proviso in the fiscal year 2013 appropriations bill requiring an audit of three school districts by the end of the fiscal year. The audits were to include one small district (fewer than 500 students), one medium district (500 to 4,000 students), and one large district (more than 4,000 students).

The Legislative Post Audit Committee approved a plan for selecting the three school districts, which included asking districts to volunteer for an audit. Ultimately, six districts volunteered including one small district, four medium districts, and one large district.

This performance audit is specific to the large district, Kansas City, and answers the following question:

Could the Kansas City 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 help us answer the audit question. We identified five peer districts that had similar student enrollment numbers (10,000 or more FTE students) and another eleven peer districts with similar student demographics (e.g. a similar percentage of free lunch students) to the Kansas City district and compared them on various measures of efficiency. That allowed us to identify 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. Where applicable, we compared district operations, controls, and processes to best practices to determine if they were adequate.

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. As part of the standards, the U.S. Government Accountability Office requires us to assess the sufficiency and appropriateness of computer-processed data. To comply with this standard, we performed data reliability work on datasets received from the district and from the Kansas Department of Education.

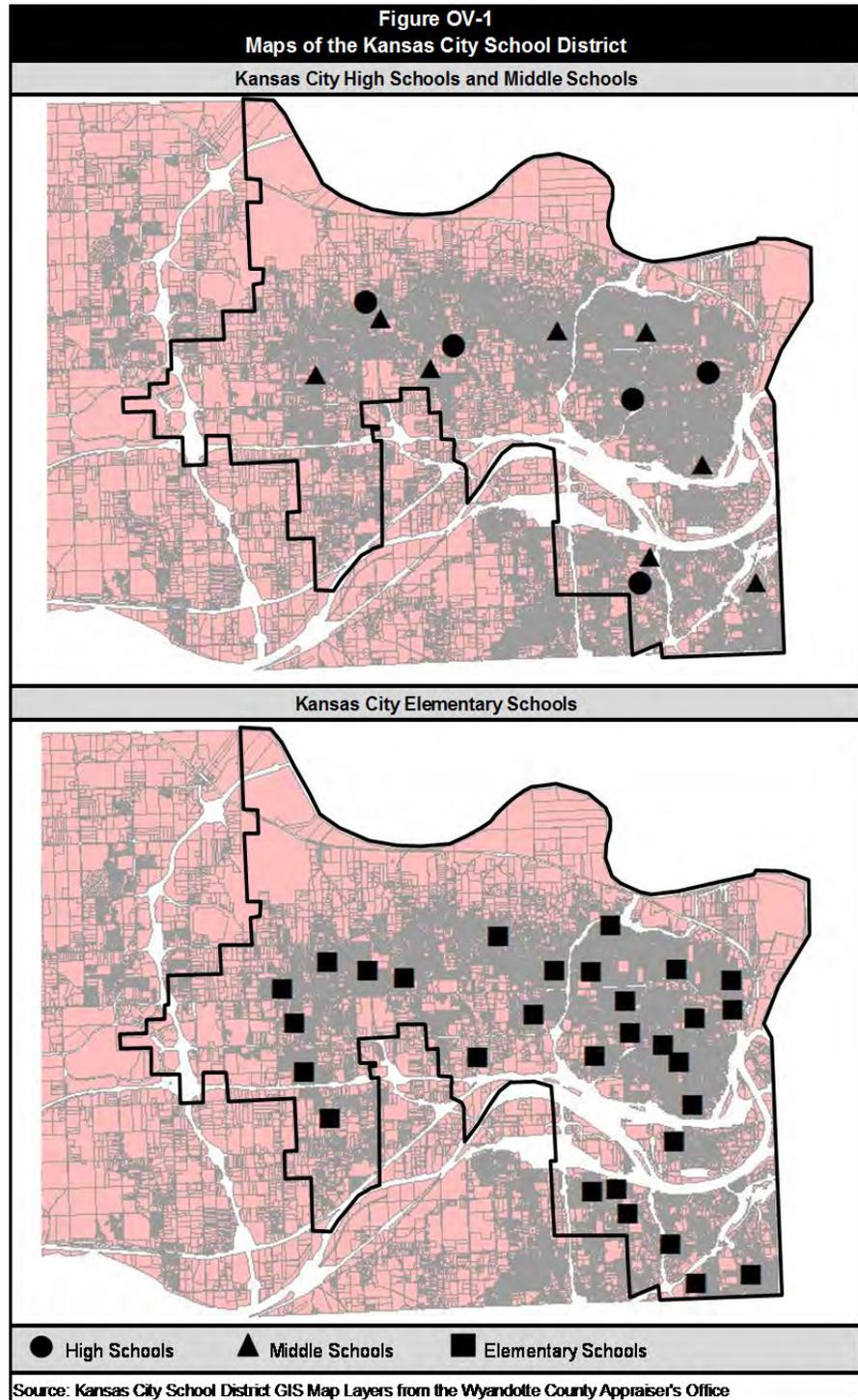
As a result of that work, we noted inconsistencies and inaccuracies in the district's detailed expenditure data compared to the financial data the district reported to the department. Because of the way the district maintains its internal accounting data, we could not reconcile those differences. As a result, these inaccuracies could affect the precision of our savings estimate related to outsourcing transportation services. Further, because of these data limitations, we were unable to estimate savings the district might achieve in some areas we were initially interested in (such as district supply costs).

With the exception of the district's transportation expenditures, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

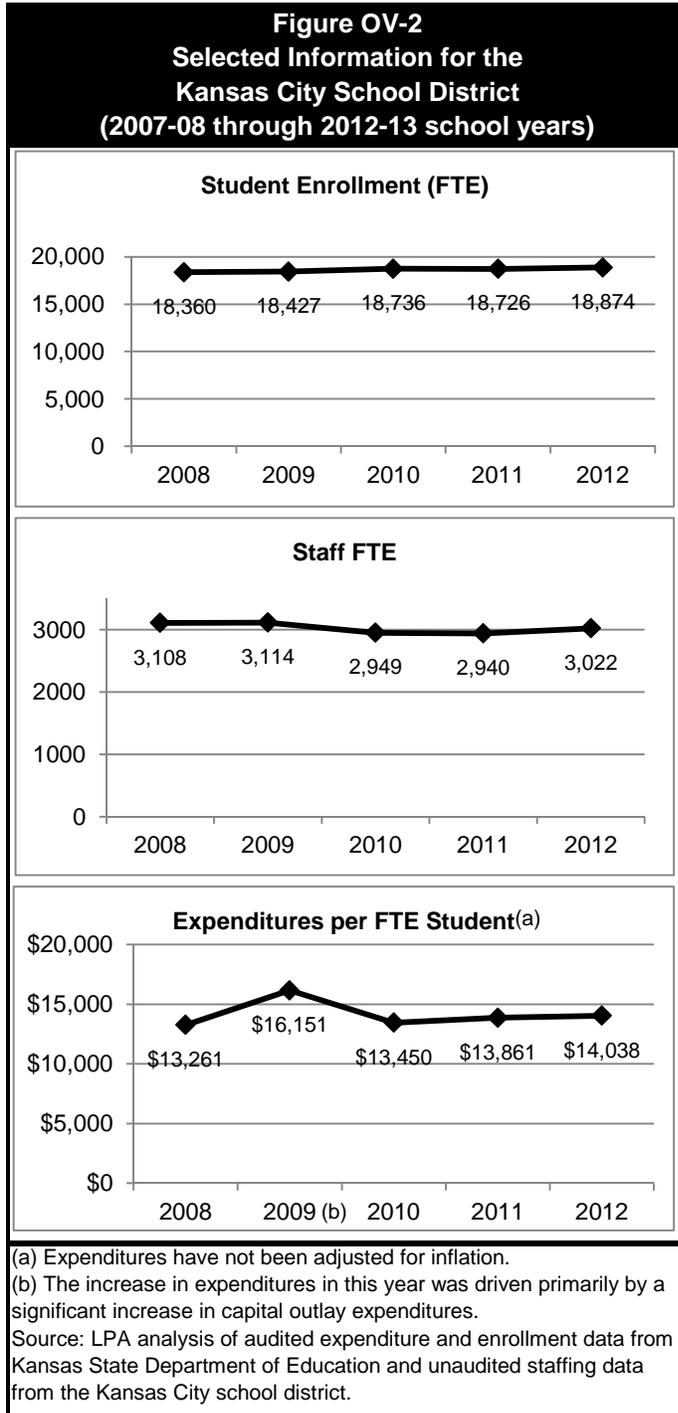
Our findings begin on page 7 following a brief overview of the Kansas City school district.

Overview of the Kansas City School District

The Kansas City school district is located in northeast Kansas in Wyandotte County. **Figure OV-1** provides a map of the district. As the figure shows, the district has 30 elementary schools, 8 middle schools, and 5 high schools. It also has four neighboring districts: Shawnee Mission, Turner, Piper, and Bonner Springs.



Over the last five years, the Kansas City school district's student enrollment, staffing levels, and expenditures per full-time-equivalent (FTE) student have remained relatively constant. *Figure OV-2* shows five-year trends for enrollment, expenditures, and staffing for the district. As the figure shows:



- **The district's student enrollment has been stable.** The district had 18,874 FTE students for the 2011-12 school year, which is about a 3% increase since the 2007-08 school year.
- **The district's staffing levels has been stable.** The district employed about 3,000 FTE staff, including about 1,200 teachers in the 2011-12 school year. This is a decline of about 3% in total staff since the 2007-08 school year.
- **The district's expenditures per FTE student have increased slightly.** Expenditures per student increased from about \$13,200 in the 2007-08 school year to a little more than \$14,000 in 2011-12, or by about 6%.

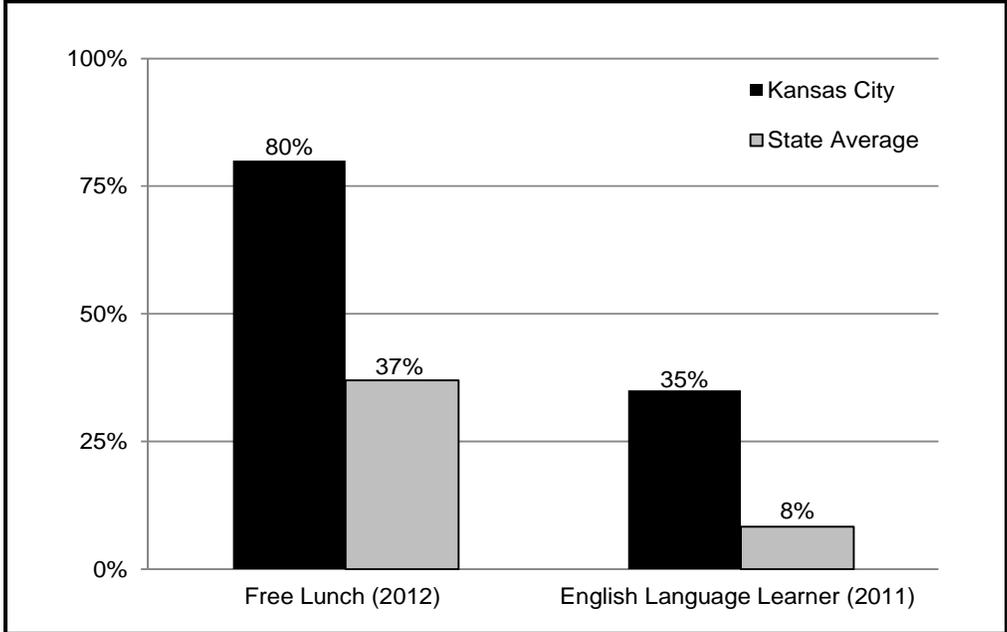
Figure OV-3, on the next page, summarizes district expenditures for the 2011-12 school year. As the figure shows, total district expenditures for that year were about \$335 million. Of that total amount, we focused our evaluation on spending in categories such as student instruction, operations and maintenance, and school administration.

Our analyses excluded special education and property and equipment expenditures. That is because districts generally provide special education services through cooperative arrangements between districts and including them would distort comparisons across districts. Similarly, we excluded property and equipment purchases because they can vary significantly from year to year.

Figure OV-3 2011-12 Expenditures For the Kansas City School District			
Category	Total	\$ Per Student	% of Total
All District Expenditures (a)			
Regular Education	\$267,631,017	\$14,180	80%
Special Education	\$54,968,536	\$2,912	16%
Other	\$12,920,417	\$685	4%
Total Expenditures (b)	\$335,519,970	\$17,776	100%
Expenditures Evaluated in this Audit			
Expenditures by Function (a)			
Instruction	\$99,890,831	\$5,292	55%
Operations & Maintenance	\$29,619,925	\$1,569	16%
Instructional Support	\$13,749,497	\$728	8%
School Administration	\$11,178,375	\$592	6%
Food Services	\$10,328,143	\$547	6%
Student Support	\$6,712,229	\$356	4%
Transportation	\$7,547,450	\$400	4%
District Administration	\$3,959,537	\$210	2%
Total (b)	\$182,985,987	\$9,695	100%
Expenditures By Object (a)			
Salaries	\$114,920,713	\$6,089	63%
Benefits	\$22,455,685	\$1,190	12%
Purchased Services	\$20,018,127	\$1,061	11%
Supplies	\$17,273,985	\$915	9%
Other	\$8,317,477	\$441	5%
Total (b)	\$182,985,987	\$9,695	100%
(a) Totals exclude property and equipment.			
(b) Totals may not add due to rounding.			
Source: LPA analysis of audited Kansas Department of Education expenditure data.			

The Kansas City school district serves a unique combination of socio-economically disadvantaged and ethnically diverse students. The district has a greater concentration of students eligible for free lunches and English language learners than most school districts in Kansas. *Figure OV-4*, on the next page, compares the percentage of students who receive free lunches and are English language learners in the Kansas City school district to the state average. As the figure shows, 80% of Kansas City's students received free lunches and 35% were English language learners in the 2011-12 school year. That is 43% and 27% higher than the state average, respectively.

Figure OV-4
Comparison of Kansas City School District's Student Proportion of Free Lunch and English Language Learners to State Average



Source: LPA analysis of audited Kansas Department of Education data.

Could the Kansas City School District Achieve Significant Cost Savings by Improving Resource Management, and What Effect Would Those Actions Have?

Answer in Brief:

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. 9).

First, we identified options that would have little to no impact on students or the community. We estimated the district could save up to \$4.6 million annually and generate up to \$120,000 in additional annual revenues if it chose to implement all savings options in this category (p. 10). Those options include reducing custodial and maintenance salaries (p. 11), reducing custodial positions (p. 13), reducing certain administrative and food service salaries and wages (p. 15), using virtual technology to eliminate 48 network servers (p. 15), and increasing procurement card usage (p. 16).

Next, we identified two options that would have a moderate impact on students or the community. We estimated the district could save up to \$2.1 million annually if it chose to either outsource bus services (p. 17) or reduce certain transportation staff salaries (p. 19).

Finally, we identified one savings option that would have a significant impact on students or the community. We estimate the district could save up to \$1.4 million annually if it chose to close one middle school (p. 20).

This report contains two additional findings. The Kansas City school district does not have a process for effectively evaluating and managing efficiency (p. 23) and the district's accounting policies and practices were not adequate (p. 25).

These and other findings are presented in the sections that follow.

The Kansas City School District Volunteered for an Audit of Its Operations to Help Identify Potential Efficiencies and Cost Savings

As mentioned earlier, the Kansas City school district volunteered for an efficiency audit. These audits focus on ways in which districts can provide the same quality of educational services using fewer resources, or could use existing resources more productively. If fewer resources are needed, districts can use the savings either to reduce costs or to redirect those resources to other important activities.

School districts often face several challenges to operate efficiently. For the Kansas City school district, those challenges include:

- The district's unique student population requires additional resources for instruction and student support such as counselors and translators. As discussed in the overview, the Kansas City school district has a significant number of students who live in poverty and are English language learners. This can produce many challenges in the classroom as the district tries to ensure educational success for every student.
- Union agreements may make it difficult to implement certain staffing and salary changes. Larger school districts, including Kansas City, often have staff represented by employee unions. Contractual agreements between the district and the union can impede significant changes in how the district operates. Those changes can include staff and salary reductions or outsourcing certain services.

The Kansas City school district has taken some efficiency actions, but had no process for evaluating and managing the efficiency of its operations. According to district officials, the district has taken several actions over the past few years to improve its efficiency. For example, the district has:

- purchased 47 compressed natural gas buses to reduce fuel costs and installed engine heaters to reduce idle time. District officials told us they have not yet estimated the cost savings associated with this action.
- implemented an energy savings program that resulted in reported savings of almost \$3 million over the last three years.
- implemented zero-based budgeting to help ensure spending is consistently tied to the district's objectives.
- contracted for a study to evaluate whether the district's pay structure was competitive (further discussed on page 11).

Despite these efforts, the district does not have a process for evaluating and managing the efficiency of its operations. For example, officials do not routinely calculate efficiency measures, such as spending per student, nor does the district compare itself to peer districts or other financial benchmarks. This issue is discussed in more detail on page 23.

We reviewed district operations to identify potential areas where the district could reduce costs or generate revenues.

In doing this work we:

- compared the Kansas City school district to its enrollment peer districts (districts with 10,000 FTE students or more). We focused that work on areas where the district's unique student population would have little effect on district operations such as district administration, transportation, and operations and maintenance. We also compared the Kansas City school district to districts with similar demographics (e.g. a similar percentage of free lunch students) in instructional areas. However, its costs in these areas were generally in line with other districts.
- compared the district's staffing levels in certain areas to national benchmarks. For example, we used national staffing benchmarks to help determine how many custodians may be needed to maintain school buildings on a square-foot basis.
- interviewed officials in other large Kansas school districts, private contractors, and officials at the Kansas Department of Education and the Kansas Association of School Boards. We interviewed these officials to understand the specific challenges of operating large urban school districts and to assess the feasibility of certain savings actions.
- interviewed Kansas City school district officials and toured several school buildings to better understand and observe district operations.

We categorized potential cost savings options we identified based on their potential impact on students and the community. Savings options are categorized into three groups:

- **Options that would have little to no impact on students or the community and should be implemented.** For example, reducing the number of custodial positions would result in savings but would have little impact on students.
- **Options that could have a moderate impact on students or the community, but should be considered.** For example, outsourcing transportation could result in changes to bus routes or pick up locations, but it does not directly affect student instruction.
- **Options that could have a significant impact on students or the community, but should be considered.** These options could potentially yield large savings, but likely will affect student instruction or the community in significant ways. For example, closing a school building could be disruptive if students have to change schools.

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

The following sections detail the cost savings options we identified in each of the three categories described above.

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, reducing custodial positions to align with peer district staffing levels would not affect students.

Figure 1-1 summarizes the cost savings and revenue enhancements in this category. As the figure shows, we estimated the district could save between \$2.4 million and \$4.6 million and generate up to \$120,000 in additional revenue annually if it chose to implement all options. Those options include:

- reducing operations and maintenance salaries to market or peer salaries (page 11)
- reducing custodial staff levels to align with peer or national benchmarks (page 13)
- reducing certain administrative and food service salaries to market wages (page 15)
- using virtual technology to eliminate 48 network servers (page 15)
- increasing procurement card usage (page 16)

The figure also lists concerns school district officials expressed and our assessment of those concerns.

Figure 1-1 Summary of Cost Savings or Revenue Generating Options for the Kansas City School District With <u>Little to No Impact</u> on Students or the Community					
#	Option	Annual Cost Savings/Increased Revenues		School District Officials' Concerns	LPA Assessment
		Minimum	Maximum		
1a	Reduce Custodial and Maintenance Positions and Salaries	\$2.3 million	\$4.4 million	<ul style="list-style-type: none"> • The community and staff will resist any reduction in staff or salaries. • The custodians might unionize if staff positions or salaries are reduced. 	<ul style="list-style-type: none"> • We acknowledge the difficulties inherent in reducing current staff levels and staff salaries. If the district finds it too difficult to reduce custodial and maintenance positions and salaries the district could consider outsourcing these services.
1b	Reduce Administrative and Food Service Staff Wages to Market Wages	\$100,000	\$170,000	<ul style="list-style-type: none"> • The staff would resist any reduction in salaries. 	<ul style="list-style-type: none"> • We acknowledge the difficulties inherent in reducing current staff salaries. However, the district could achieve these savings through attrition instead of reducing the salaries of existing employees.
1c	Use Virtual Technology to Eliminate 48 Network Servers	\$35,000		<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Savings Subtotal		\$2.4 Million	\$4.6 Million		
1d	Increase Procurement Card Usage	\$120,000		<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Total Savings and Increased Revenues		\$2.6 Million	\$4.7 Million		

Source: LPA analysis of audited Kansas City school district operations and expenditures, and interviews with school district officials.

Reducing Custodial and Maintenance Salaries or Staff Positions Could Save the District Between \$2.3 Million and \$4.4 Million Annually

Currently, the Kansas City school district maintains 3.7 million square feet of property that requires daily custodial and maintenance service. To accomplish this, the district employs 164 custodians and 60 specialized maintenance positions including carpenters, plumbers, and electricians. In the 2011-12 school year, the Kansas City school district spent nearly \$16 million in salaries and benefits for these staff.

The district's custodial and maintenance staff salaries were significantly above market or peer rates. During our preliminary work we noted the district's custodial and maintenance salaries per FTE student were significantly greater than its peer average (\$385 more per FTE student). We identified two independent reports that confirmed the district's custodial and maintenance salaries were significantly above market rates. Further, we compared the district's salaries to its peers to see whether they were in line or not. The results of these reports and our analysis are described below.

- **A compensation study commissioned by the district in 2011 found that certain custodial and maintenance salaries were between 15% and 40% greater than the market rate.** This study was conducted by Educational Management Solutions (EMS) and evaluated the district's overall salary schedule to determine the district's market competitiveness. Although the district currently prohibits salary increases for these staff, it has not taken action to reduce salaries for existing employees.

Figure 1-2, on the next page, provides additional information about the study's methodology and its other findings.

- **A 2011 Bureau of Labor Statistics (BLS) report showed the district's average custodial and maintenance salaries were nearly 50% greater than the average wage in the Kansas City metropolitan area for comparable work.** We used the most recent (2011) BLS report available for this comparison. However, we used the BLS wage number only as an indicator that district salaries were high. We did not use this figure to estimate potential savings because of uncertainties regarding the Bureau's methods.
- **The district's average custodial and maintenance salaries were 40% higher than those paid by peer districts.** We used the most recent expenditure data from the Kansas Department of Education to compare the average operations and maintenance salaries for the district and its peers (all districts with 10,000 or more FTE students).

These reports and our analyses all indicated that the district's custodian and maintenance salaries were high.

Figure 1-2
Compensation Study of the Kansas City School District

In 2011 the Kansas City school district commissioned a study to evaluate the appropriateness of the district's job classifications and the competitiveness of its compensation rates. The district contracted with Educational Management Solutions (EMS)—a private consultation firm—to perform this study. We used the study's compensation analysis as a benchmark for several salary adjustment's recommended in our report.

EMS took a number of steps to evaluate the district's compensation rates. Specifically, EMS:

- gathered job, salary, and benefit information from local businesses that were comparable to certain positions in the district;
- worked with both district officials and local businesses to ensure data reliability and the appropriateness of the comparison;
- compared the district's starting wages to the relevant market median starting wage to determine whether the district was paying employees above, at, or below market wages.

Although district officials had some issues with certain aspects of the methodology, in general, these issues did not apply to the positions we reviewed.

Although we highlighted certain areas where wages were significantly above market rates, the study also found instances where the district was paying employees less than or equal to the market rate. For example, the study found the starting wage for payroll specialists in the district was about 24% less than the market rate; for translators it was about 20% less.

Figure 1-3 on the next page compares the district's current custodial and maintenance salaries to its peer average and to its compensation study. As the figure shows, the Kansas City school district is paying several positions significantly above market rates. For example, the average salary for a district carpenter was a little more than \$70,000 annually, which is 27% above the market rate.

High starting salaries, the district's pay schedule, and low turnover all contributed to the district's relatively high custodial and maintenance salaries. Most importantly, the district's starting salaries were about 30% above the starting market rate on average for these positions. Further, the district's pay structure allowed salaries for these positions to grow considerably over time. For example, custodial salaries started at \$32,400 and could eventually rise to \$59,000. The combination of these factors have allowed salaries to rise far above market and peer rates, which likely contributed to very low turnover rates for these positions. District officials told us they have taken steps to freeze salaries for custodial and maintenance positions and to reduce starting salaries for custodians.

**Figure 1-3
The Kansas City School District's Operations and Maintenance Salaries
Compared to Peer Districts and the EMS Compensation Study**

Position	FTE	Current Average KCK Salary	% Above Peer or Market Average	Adjusted KCK Average Salary (a)	Annual Savings from Reduced Salaries and Benefits
PEER DISTRICT COMPARISON					
Custodial and Maintenance Staff	191	\$47,554	41%	\$28,114	\$4,071,355
Total Savings					\$4,071,355
COMPENSATION STUDY COMPARISON					
Custodian	111	\$41,221	18%	\$33,789	\$904,548
Head Custodian	48	\$53,765	30%	\$37,870	\$836,593
Carpenter	7	\$72,380	27%	\$52,962	\$149,040
Electrician	4	\$69,160	30%	\$48,695	\$89,760
Grounds Laborer	10	\$47,914	17%	\$39,734	\$89,699
Plumber	3	\$63,960	26%	\$47,212	\$55,092
Painter	4	\$60,087	19%	\$48,678	\$50,039
Warehouse Worker	2	\$51,854	42%	\$29,991	\$47,945
Storeroom Manager	1	\$55,718	36%	\$35,859	\$21,776
Coordinator of Buildings and Grounds	1	\$72,504	27%	\$52,900	\$21,496
Total Savings					\$2,265,987
<p>(a) For the compensation study comparison, the adjusted average wage was based on reducing the district's current wage average in proportion to how much higher its starting wage was in comparison to the market. Source: LPA analysis of audited 2012 KSDE expenditure data for the Kansas City school district, audited 2012 personnel data from the Kansas City school district, and unaudited data from a 2011 Educational Management Solutions (EMS) compensation study of the Kansas City school district.</p>					

In addition, the district's custodial staffing levels are high compared to peer districts and national benchmarks. To evaluate the appropriateness of the district's custodial staffing levels, we compared the average building square footage per custodian in the Kansas City school district to peer districts and to national benchmarks.

- **If the district aligned the number of square feet assigned to its custodians with its peer average, the district could reduce 44 custodial positions.** We compared the Kansas City district to three peer districts (Wichita, Shawnee Mission, and Topeka) based on the size of the districts and the average age of the districts' buildings. On average, Kansas City school district custodians are responsible for 22,600 square feet whereas peer district custodians are responsible for 31,000 square feet.
- **If the district aligned the number of square feet assigned to its custodians with national benchmarks, the district could reduce 49 custodial positions.** We also compared the Kansas City district to a national survey of public schools. The survey showed the national median for square feet per custodian was a little more than 32,000 square feet. That is about 9,500 more square feet than Kansas City custodians currently are assigned on average.

Reducing custodial and maintenance salaries or staff positions could save the district between \$2.3 million and \$4.4 million annually. The district has three options for achieving these savings, including

- **The district could save between \$2.3 million and \$4.1 million by reducing the salaries of custodial and maintenance staff.** The district could achieve these savings by reducing wages to align with either its peer average or to market wages.
- **The district could save about \$2.5 million by reducing custodial positions.** The district could achieve these savings by aligning custodial staffing with either the peer average or to national benchmarks.
- **The district could save about \$4.4 million in unduplicated savings by reducing salaries and positions.** Both of these options are feasible on their own. However, by taking both actions the district could maximize its savings.

The district will likely find it difficult to achieve all of these savings. Based on district official's concerns, we think it will be difficult for the district to fully implement these actions. That is because:

- **Reducing custodial and maintenance salary costs through attrition would significantly limit the potential for savings.** We evaluated whether the district could achieve savings through attrition (reducing starting salaries to market rates for new hires) instead of reducing salaries for existing staff immediately. However, it would take the district about 20 years to achieve significant savings through this method because custodial and maintenance staff turnover is very low (1% to 2% per year).
- **Staff or salary reductions likely would meet community resistance.** District officials told us that many of the custodial and maintenance staff live in the Kansas City community. As a result, eliminating positions and reducing salaries would encounter resistance from the community.

Alternatively, the district could outsource custodian and maintenance services if officials found it too difficult to reduce salaries and positions under the current set of circumstances. Outsourcing would remove the decisions involved with setting pay and determining the appropriate number of staff from the district and likely would lead to savings. We are aware of at least two firms in the Kansas City area that could provide these services.

Reducing Certain Administrative and Food Service Salaries to Market Rates Could Save the District Between \$100,000 and \$170,000 Annually

The district could generate additional savings by aligning certain administrative and food service salaries with market rates. Specifically, using the district's 2011 compensation study, we identified 20 positions the district is currently paying 10% to 25% above the market rate. These positions include certain food service, school administration, and district administration staff. Reducing the salaries for these 20 positions to the market rate could save the district about \$100,000 to \$170,000 annually in salaries and benefits.

The district could choose to achieve these savings through attrition (reducing the starting salary for each of these positions to the market rate as they become vacant) instead of reducing the salaries of existing employees. However, it would achieve savings much more slowly. Because there are so few of these positions and the savings are comparatively small, it might make sense for the district to reduce these wages in this way.

Using Virtual Technology, the District Could Eliminate 48 Network Servers and Save up to \$35,000 and 2,300 Hours of Staff Time Annually

The district currently has 78 network servers that support the district's software applications for systems such as payroll, accounting, and inventory.

Server virtualization is an increasingly common way to reduce information technology costs. Server virtualization is a technology that allows multiple applications to run on one, instead of many, servers. Although computer hardware capable of virtualization is more expensive than typical computer hardware, it does not have to be replaced as often, is cheaper to power and cool, and requires less staff time to maintain. Consequently, server virtualization can often reduce information technology costs for organizations with a large number of network servers.

The district has been virtualizing its old servers one at a time instead of all at once. In the last few years, the district has replaced 13 physical servers with virtual servers when they stopped working and on a case by case basis. District officials told us they have been doing this gradually because they have few staff with experience in server virtualization and because of concerns about the performance of some applications. However, they also acknowledged they intend to continue virtualizing servers in the future, and have many servers that could be virtualized without affecting the performance of certain applications.

The district could save up to \$35,000 and about 2,300 hours of staff time annually if it virtualized 48 servers more quickly. We worked with district information technology (IT)

officials to identify 48 servers that could feasibly be virtualized. In general, these servers were very old, were running relatively simple applications, and had already been identified by the district as servers that could eventually be virtualized. We used two online tools that relied on the district's current server specifications to estimate savings the district might achieve through virtualization.

- **The district could save up to \$35,000 a year in reduced server replacement, cooling, and power costs through virtualization.** This savings estimate is the cost difference between replacing and maintaining the district's 48 existing servers and replacing them with virtual servers. We think this estimate may be low because it does not factor in certain processing efficiencies associated with virtualization that can further lower hardware costs.
- **The district could also save about 2,300 hours a year in staff time associated with maintaining servers and through decreased server downtime.** That is because it takes much less time for IT staff to perform certain maintenance tasks—such as updating software applications—in a virtual environment. Moreover, virtualization allows IT staff to restore failed servers much more quickly. This reduces the amount of productive staff time lost while waiting for server applications to be fixed.

District officials told us this is a feasible action with few barriers, and that virtualizing their older servers more quickly is something they are willing to consider.

Increasing Procurement Card Usage Could Generate up to \$120,000 in Additional Revenue Annually

The district currently has 115 procurement cards distributed to various department heads, directors, and teachers. A procurement card is a credit card that allows certain district employees to purchase items directly, instead of through a purchase order. The district reported it used these cards to purchase about \$500,000 in supplies and received about \$2,600 in cash-back rebates in the 2011-12 school year.

If the district maximized usage of its procurement cards it could generate up to \$120,000 in revenue annually. The district has not maximized procurement card usage or its cash-back rebates. In the 2011-12 school year, the district purchased only 3% of its supplies through its procurement cards. We estimated the district could potentially purchase up to 75% (about \$14 million) of its supplies on procurement cards. We think this is feasible, but it would require the district to use its procurement cards district wide for all types of purchases instead of just for small purchases made by a few individual cardholders. District officials told us they are currently working towards increasing their usage of procurement cards to maximize their cash-back rebate.

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

The options presented in this section would likely have a moderate impact on students or the community, but the district should consider implementing them. For example, contracting out transportation services could have a moderate impact on students because bus routes and bus stops may change. However, taking this action would allow the district to reduce expenditures and potentially improve efficiencies, as we explain below.

Figure 1-4 on the next page summarizes the cost savings in this category. As the figure shows, we estimated the district could save between \$600,000 and \$2.1 million annually if it chose to implement one of two options.

- reduce transportation costs by outsourcing bus services (page 17) or
- reduce certain transportation salaries to the market wage (page 19)

The figure also lists concerns school district officials shared and our assessment of those concerns.

Outsourcing Transportation Services or Reducing Transportation Staff Wages Could Save the District up to \$2.1 Million Annually

The district spent about \$7.5 million to transport more than 10,000 students in the 2011-12 school year. Additionally, it ran about 350 bus routes a day that covered the district's 59 square miles.

Nearly all of the district's peers provide transportation services at a lower cost per transported student. During our initial review of the district's expenditures we noted the Kansas City school district stood out in two ways:

- **All five of the Kansas City school district's peers (districts with 10,000 or more FTE students) outsource transportation services, but the Kansas City school district does not.** Currently, more than 30 districts in the state outsource for transportation services.
- **The Kansas City school district spent nearly \$725 per transported student in the 2011-12 school year while its peers spent, on average, \$525.** The Kansas City school district spent more than four of its five peer districts. Wichita was the only district that spent more. This may be because Wichita buses students to the school of the student's choice, rather than to a neighborhood school, thus incurring greater transportation costs.

**Figure 1-4
Summary of Cost Savings Options for the Kansas City School District
With Moderate Impact on Students or the Community**

#	Option	Annual Cost Savings		School District Officials' Concerns	LPA Assessment
		Minimum	Maximum		
2a	Reduce Transportation Staff Salaries <u>OR</u> Outsource Transportation Services	\$600,000	\$2.1 million	<ul style="list-style-type: none"> •The district would not be able to hire and retain high quality bus drivers. • Bus drivers may unionize if salaries are reduced. • The district would lose control of the hiring and training of bus drivers, putting the students at risk. •The district would not be able to repurchase a bus fleet if outsourcing does not work well. 	<ul style="list-style-type: none"> • We acknowledge the district may need to offer a wage slightly greater than the market wage to attract and retain quality bus drivers. However, we do not think it needs to pay 30% above the market rate to accomplish this. •We acknowledge this is a possibility. If this action makes it too difficult for the district to make significant changes, the district could instead choose to outsource transportation services. • These issues could be largely mitigated through contractual requirements that specify what types of background checks and training drivers must receive. Additionally, the district could include contractual language that allows the district to maintain control over the dismissal of bus drivers. •We acknowledge it is unlikely the district could afford to repurchase their entire fleet.
Total		\$600,000	\$2.1 million		

Source: LPA analysis of audited expenditure data provided by the Kansas City school district and interviews with school district officials.

Outsourcing transportation services could save the district about \$600,000 to \$2.1 million annually. To estimate potential savings, we compared the district’s current expenditures per transported student to its peers. As part of that comparison, we estimated savings both including and excluding the two most efficient peer districts—Olathe and Blue Valley. Both estimates included savings associated with no longer purchasing new buses to maintain the district’s fleet. Additionally, because of inaccuracies we identified in the district’s accounting data, these estimates should be viewed as a general indicator of potential savings and not as absolute fact.

Although district officials expressed concerns about outsourcing transportation, contractors and officials in other districts told us many of those concerns could be resolved. District officials told us they had a number of concerns about outsourcing transportation such as the safety of the students, the ability to control the hiring of quality individuals, and the training of bus drivers. Additionally, district officials were concerned they would not be able to bring services back in-house if outsourcing did not work well. That is

because it is unlikely that the district could afford to repurchase its bus fleet.

However, based on interviews with officials from two other districts who outsource transportation and with transportation contractors, we think many of these concerns could be mitigated.

- **The district's concerns regarding student safety potentially could be resolved through driver training and background checks.** Contractors told us they require extensive background checks and drug testing as well as CPR certification and defensive driving courses for all of their drivers. Additionally, the district could include other safety-related training requirements in the contract.
- **The district's concerns about transportation management could be resolved through contractual provisions that allow the district to maintain control in certain areas.** According to contractors and other districts we talked to, the district could continue to maintain strong control through contractual language that allows the district to require immediate removal of a driver and specifies safety protocols important to the district.

Although many of the district's concerns can be addressed, the district is likely correct in assuming that it would not be able to afford to repurchase its bus fleet if outsourcing did not work well.

Alternatively, the district could reduce certain transportation staff wages to the market rate which could save the district about \$950,000 annually. As previously mentioned, the district had significantly greater expenditures per transported student than its peers. Much of this appeared to be the result of the high wages the district pays bus drivers and mechanics. We reviewed the district's compensation study (previously mentioned on page 11) to determine if the district was paying bus drivers and mechanics above market rates. We found the district's wages for these staff was 15% to 30% more than comparable market wages.

District officials expressed concerns about reducing the wages of bus drivers. They told us they prefer to pay higher wages because it allowed them to hire and retain more qualified individuals.

SAVINGS OPTIONS THAT COULD HAVE A SIGNIFICANT IMPACT ON STUDENTS OR THE COMMUNITY

The cost savings option presented in this section would have a significant impact on students or the community. Specifically, closing one middle school could result in some students having

to switch schools, which could be disruptive to them. Additionally, it would require some students to travel further to get to school, which the district has identified as a potential safety concern.

Figure 1-5 provides a summary of the cost savings in this category. As the figure shows, we estimated the district could save \$1.4 million annually if it chose to close one of its eight middle schools.

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

Figure 1-5 Summary of Cost Savings Options for the Kansas City School District With a Significant Impact on Students or the Community					
#	Option	Annual Cost Savings		School District Officials' Concerns	LPA Assessment
		Minimum	Maximum		
3a	Close One Middle School to Reduce Related Staff and Utility Costs	\$1.4 Million		<ul style="list-style-type: none"> Community members would resist a school closure. Students who walk or bicycle to school may have to travel further which may present safety concerns. 	<ul style="list-style-type: none"> We acknowledge the potential difficulties created for a community when a school is closed. However, the district's declining middle school enrollment no longer warrants eight middle schools . We acknowledge some students likely would have to travel further to school.
Total		\$1.4 Million			

Source: LPA analysis of audited expenditure data provided by the Kansas City school district and interviews with school district officials.

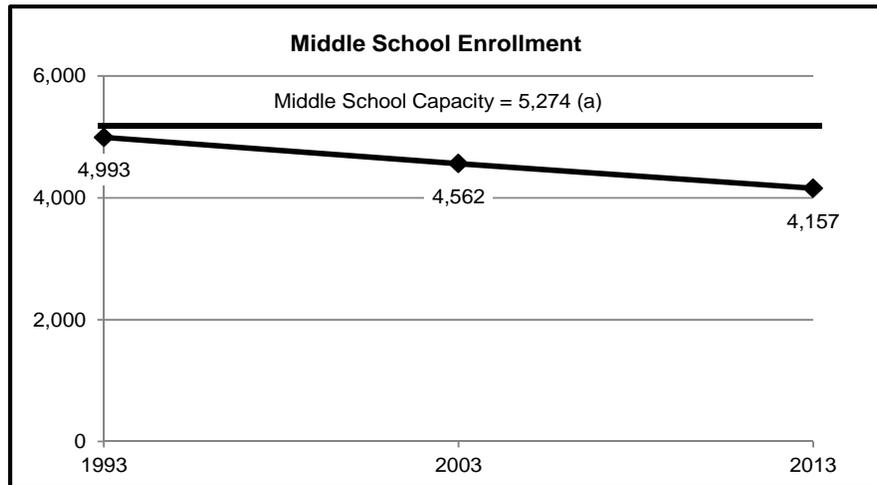
Closing One Middle School Could Save the District an Estimated \$1.4 Million Annually in Reduced Staff Salaries and Utility Costs

Currently, the Kansas City school district operates eight middle schools with a total enrollment of about 4,200 students. Enrollment for the middle schools ranges from 360 to 630, with an average of 520 per building.

Currently, the district’s middle schools have excess capacity due to declining enrollment over the last 20 years. *Figure 1-6* summarizes the district’s middle school enrollment since the 1992-93 school year. As the figure shows, enrollment in the district’s middle schools has declined gradually over the past 20 years from about 5,000 students in 1992-93 to about 4,200 in 2012-13 (a 17% decline). District officials told us this is because of a recent trend in families switching to another district after their child has completed elementary school. Based on the declining middle school enrollment and

information from district officials, we determined the district's middle schools are currently under capacity by about 20%, or about 1,100 students. This excess capacity makes it possible for the district to close one of its eight middle schools.

Figure 1-6
Kansas City School District Middle School Enrollment (1993-2013) and the Effect of Closing One Middle School on Students and Staff



Students and Staff Before and After Closure of One Middle School					
Category (b)	Current (8 Middle Schools)		Potential (7 Middle Schools)		
	Total FTE	Avg # per Building	Total FTE	Avg # per Building	Increase in Avg # Per Building
Students	4,157	520	4,157	594	74
Teachers	229	29	221	32	3
Custodians	18	2	16	2	0
Nutritional Services	50	6	44	6	0
Secretaries	21	3	19	3	0
Average # Students Per Class (c)	21		22		1

(a) Estimated total building capacity is based on past building enrollments and interviews with middle school principals.
 (b) Not all middle school staff positions are included in this figure.
 (c) This figure is an estimate based on district enrollment data and staffing levels.
 Source: Audited enrollment data from KSDE and LPA analysis of audited 2012-13 personnel data from the Kansas City school district.

The district could save \$1.4 million annually in reduced staff salaries and utility costs by closing one middle school. These savings would be achieved as follows:

- **Reductions in middle school staff could save the district \$1.3 million in salary and benefits annually.** We assumed the district would transfer several instruction-related positions from the closed school to the remaining schools in order to stay at, or near, current student to staff ratios. After

accounting for these transfers, we determined the district could reduce 28 middle school staff positions, saving the district about \$1.3 million annually in salaries and benefits.

Figure 1-6, on the previous page, shows the changes resulting from a school closure. As the figure shows, although the average number of students per building increases, so does the number of teachers.

- **Reduced utility costs could save the district about \$120,000 annually.** We assumed the district could achieve savings in electricity and natural gas costs. We assumed there would be no savings in water costs as the same number of students would likely use the same amount of water in the remaining schools.

Although closing one middle school may result in slightly greater workloads for some staff, we think these increases are manageable. For example, reductions in food service staff would require each remaining food service position to cook for and serve 12 additional students per day. Further, teacher reductions would likely result in a slight increase in the average number of students per classroom (from 21 to 22 students).

Finally, district officials told us closing one middle school building would not substantively increase transportation costs.

The district could sell, lease, or repurpose a closed middle school. Unlike rural districts, where there is little demand for vacant school buildings, the Kansas City school district has consistently repurposed or found other uses for their vacant schools buildings. For example, in the last 20 years the district has repurposed vacant buildings into alternative schools, special education facilities, and preschools. The district has also sold vacant buildings to local community groups to convert into various community centers. Finally, although less common, the district has been able to sell a few of its vacant schools to private buyers, generating one-time revenues of \$11,000 to \$40,000. Consequently, if the district closed a middle school, they are likely to have more options for the building than many school districts.

District officials told us that community members would resist a school closure and that a closure could create safety risks for students. Because the district has not closed a middle school in nearly 40 years, the neighborhoods surrounding each middle school have developed local and cultural connections to their schools. As a result, the district will likely face significant community resistance to closing a school. Additionally, closing a middle school may require some students to attend school in a different neighborhood, which would require them to travel

further. District officials told us that increasing the distance between home and school for students could create additional safety risks.

The District Does Not Have a Process for Effectively Evaluating and Managing Efficiency

Measures of efficiency are calculated ratios that capture the relationship between inputs (the resources used) and outputs (the things accomplished or produced). For educational entities, the primary measures of efficiency include expenditures per student, staff per student, and number of activities per staff.

One important aspect of assessing efficiency is comparing these measures to those of peers with similar characteristics or to standard benchmarks. This allows a district to see how it compares and to explore reasons why it may spend more in certain areas. A district also can adjust its policies, procedures, and practices to ensure it provides the best education for its students and the best value for taxpayers.

A model for a good efficiency management process is summarized in **Figure 1-7** on the next page. As the figure shows the process includes four steps:

- compiling data and calculating efficiency measures
- comparing those measures to peer districts or benchmarks
- identifying reasons for any outliers
- making appropriate changes to improve efficiency

As noted earlier in the report, Kansas City school district officials have taken some steps to improve efficiency. However, the district does not have a process for effectively evaluating and managing its operations efficiently.

The district does not calculate measures of efficiency.

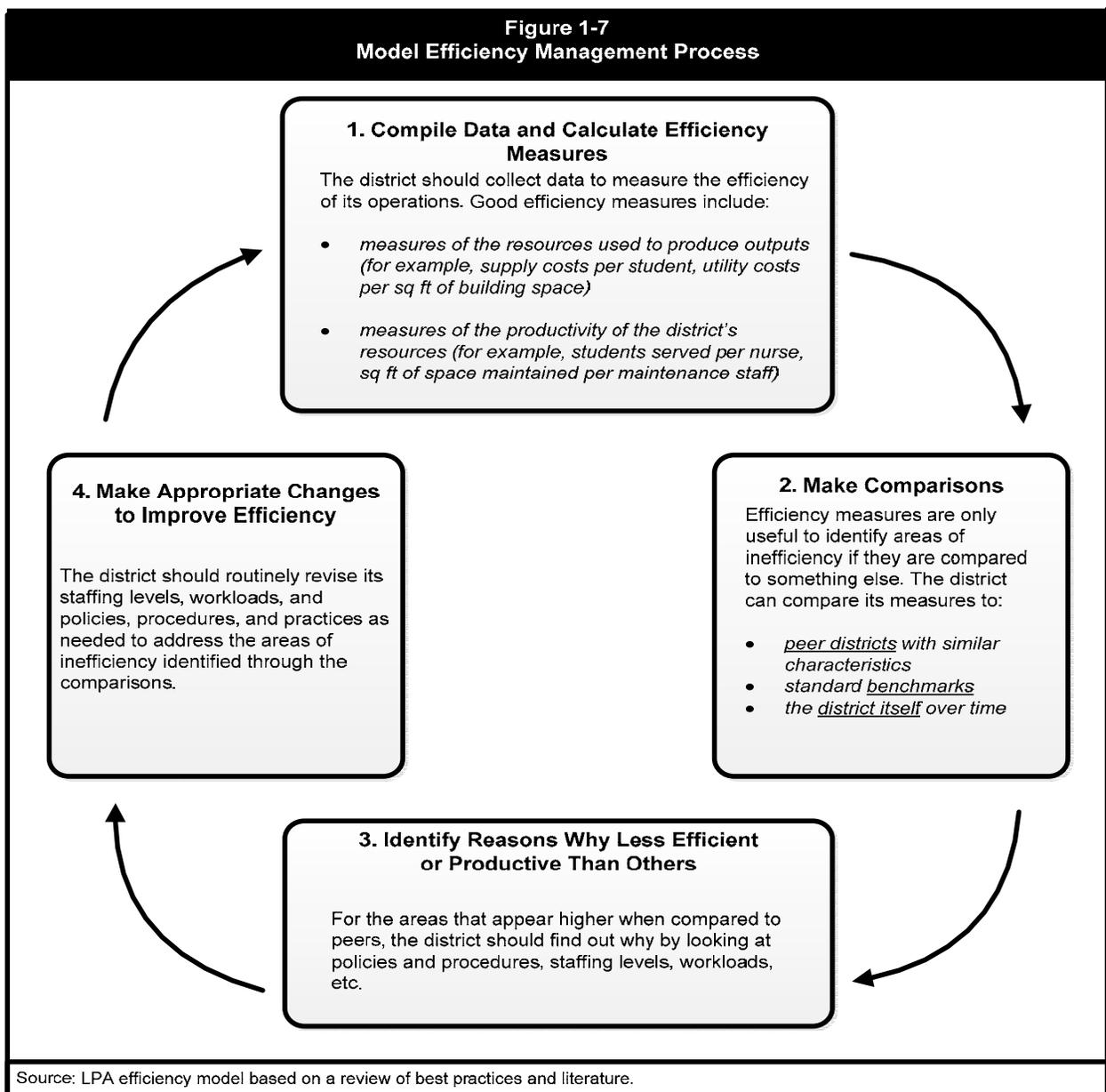
Instead, the district compares student outcomes to five priorities established by the local Board of Education. These priorities, although important measures of the district's performance, are not measures of financial efficiency. For example, being a good steward of resources and financially accountable is a meaningful priority, but is not a measure of district efficiency.

The district has not identified any comparable peer districts.

District officials told us they have not chosen peers because the district's student population is very unique. Although this is true, it does not mean the district does not have peers for the purposes of evaluating efficiency. For example, while larger districts such as Blue Valley, Olathe, and Shawnee Mission probably are not appropriate peers for comparing instructional expenses, they do makes sense for comparing non-instructional categories (such as operations and

maintenance). Similarly, smaller districts with similar demographics (e.g., poverty and non-English speaking populations) may not be appropriate for non-instructional comparisons, but could be used as peers for instructional categories. Further, the district could use additional resources specific to large urban districts such as the Council of Great City Schools to find benchmarks for comparison purposes.

The district’s financial data does not easily allow comparisons with other districts. The district does not have a process that allows it to accurately report data from their system to KSDE (see page 25 for more information on this issue). As a result, its expenditures by function and object do not align well to other districts, making good comparisons very difficult.



OTHER FINDINGS

The District's Accounting Policies and Practices Were Not Adequate for the Size of the District's Operations

During our review of the district's accounting and inventory practices we noted a number of issues that could put the district at risk for inaccurate financial reporting and misuse of district resources.

The district's policy and procedure manual does not adequately address how expenditures are reported to KSDE. KSDE requires school districts to report expenditures every year. Because the Kansas City school district's accounting system differs significantly from KSDE's reporting system, the district has to adjust its data before reporting it to the state. This is not uncommon for larger districts with unique accounting systems. However, because the district's accounting manual does not include a procedure for how to make these adjustments, its reporting is inconsistent and inaccurate. For example, although the district reported \$4.9 million in transportation expenditures to KSDE, its internal accounting data showed \$7.5 million. Further, we noted the district does not accurately adjust its supply and purchased services expenditures which has led to inconsistent reporting to KSDE in these areas. These issues significantly hinder the district's ability to accurately compare itself to other districts, which is a critical part of the efficiency management process described in the previous section.

The district's procurement card policy and inventory is outdated, which could result in cards being misused. As mentioned previously, a procurement card is a credit card that allows certain district employees to purchase items directly, instead of through a purchase order. Because a procurement card allows an employee to bypass the normal purchasing process, we would expect the district to maintain current written policies and an inventory to govern and monitor card usage.

However, a lack of strong controls on the district's procurement cards put it at significant risk for both unintentional and intentional misuse. Specifically, the district's policy and procedure manual is more than a decade old and does not accurately address the types of procurement cards or spending limits the district currently has in place. Further, the district's procurement card inventory was also outdated, resulting in officials having an inaccurate count of procurement cards in their possession. Establishing strong card controls is particularly important in light of our recommendation that the district increase the use of its cards.

District officials told us they are in the process of implementing a new system that will allow them to better maintain the district's procurement card inventory.

The district has not consistently maintained an accurate asset inventory. Those assets include items such as computers and maintenance or office equipment. Over the last decade the district has had to rebuild its inventory on two separate occasions. The first of these occurred several years ago when the district's inventory system failed. The second occurred after officials discovered that school level personnel were not maintaining the inventory accurately. These issues occurred primarily because district officials did not monitor the process effectively and thus, did not know that it was failing until it was too late. Weak control over the inventory leaves the district at risk for theft and inefficiency.

District officials told us they recently hired an individual whose sole job is to compile and maintain the district's inventory. Officials reported they are now confident they have an up-to-date and accurate inventory.

The district has not consistently monitored employee compensatory time. The district allows certain positions to earn either overtime pay or compensatory time. However, staff did not report all of those overtime hours to the district office. This is because compensatory time is tracked only at the school or department level. As a result, district administration officials do not know the total amount of over time staff is working. This lack of information prevents the district from making sound staffing and budget decisions.

***Recommendations for
District Action or
Consideration***

Because of the potential for reducing costs with little to no impact on students or the community, the Kansas City school district should implement the following actions:

1. Develop and implement a plan to reduce salaries in the following areas to bring them in line with market wages:
 - a. custodial and maintenance (page 11)
 - b. transportation (page 19)
 - c. certain food service, school administration, and district administration positions (page 15)
2. Develop and implement a plan to reduce the number of custodial positions to bring them in line with peers or national benchmarks (page 13).

3. Use virtual technology to eliminate 48 network servers (page 15).
4. Develop a strategy for increasing procurement card use (page 16).
5. Implement an efficiency management process by taking the following actions:
 - a. develop measures of efficiency (page 23)
 - b. identify comparable peers or other benchmarks (page 23)
 - c. develop a process to accurately report expenditures to the Kansas Department of Education to ensure relevant comparisons (page 24)
6. Enhance its current accounting practices by taking several actions:
 - a. create a written policy and procedure manual to guide how the district's data will be transmitted to the Kansas Department of Education (page 25)
 - b. update the district's procurement card policies and inventory to reflect the current number of cards, types of cards, and spending limits (page 25)
 - c. make maintaining an accurate inventory a high priority by proactively monitoring it to identify and remedy problems quickly (page 26)
 - d. require schools and departments to report overtime usage to the central office on a periodic basis, periodically review that information to identify excessive overtime, and review staffing and budget decisions based on that information (page 26)

Because of the potential for impact on students or the community, the Kansas City school district should consider implementing the following actions:

7. If the district cannot feasibly reduce the salaries of transportation, custodial, and maintenance staff, the district should consider outsourcing these operations (page 14 and pages 18-19).
8. Develop and implement a plan for closing one middle school and redistributing those students across the remaining schools (page 20).

APPENDIX A

Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on July 10, 2012. The audit was required by a 2013 budget proviso.

K-12 Education: Efficiency Audit of Selected School Districts

During fiscal year 2010, the Legislative Division of Post Audit conducted voluntary efficiency audits of school districts. Officials from several school districts volunteered for the audits as a way to help them identify ways they could reduce costs without affecting the education they provide students. In total, seven school district efficiency audits were conducted. Among other things, these audits found potential savings related to food service programs, high school scheduling, and consolidating administrative functions into a single building.

During the 2012 legislative session, legislators expressed an interest in having us perform an efficiency audit similar to those performed in 2009 and 2010. As a result of that interest, the Legislature included a proviso in the fiscal year 2013 appropriations bill requiring an audit of three school districts by the end of the fiscal year.

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 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 district could use fewer resources without significantly affecting their ability to educate students. Further, we would interview school district officials and others to identify the potential effect those actions might have on the local community, teachers, parents, and students. Finally, we would survey school districts to identify what types of efficiency measures they have already taken to reduce costs. We would perform additional work in this area as necessary.

Estimated Resources: 3 LPA staff

Estimated Time: 6 months (a)

- (a) From the audit start date to our best estimate of when it would be ready for the committee. This time estimate includes a two-week agency review period.*

APPENDIX B

Detailed Information about Efficiency Measures Used to Compare the Kansas City School District to Its Peers

This appendix contains a description of the methodology we used to select peer districts against which we compared the Kansas City school district, along with information for each of the districts.

Peer Selection

To select peers for the Kansas City school district, we chose all Kansas school districts with a student FTE enrollment of 10,000 or more in the 2011-12 school year.

The list of Kansas City school district's enrollment peers is included in this appendix on page 32.

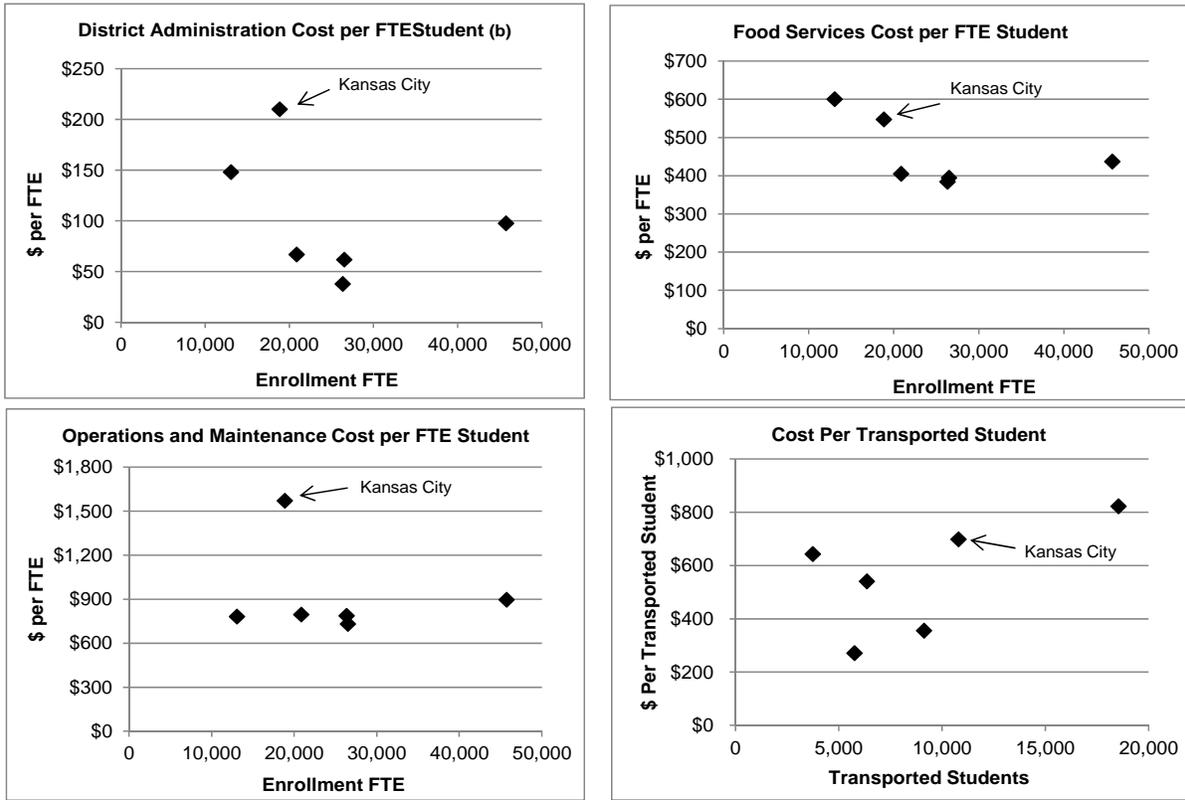
Peer Comparisons

To compare Kansas City against its peers, we calculated a variety of efficiency measures for each district. When compiling efficiency measures for the districts, we focused on four functional areas: district-level administration, food services, transportation, and operations and maintenance. We chose to analyze only these four functions because expenditures in these areas are less likely to be driven by student demographics. Additionally, although the district stood out in the area of district administration (driven primarily by salary and supply costs) we were not able to evaluate this area because of unreliable data.

We used 2011-12 expenditures, enrollment, and staffing data to calculate our primary unit of efficiency measurements, which were cost per student or cost per transported student. We looked at total expenditures per student, and expenditures for salaries, benefits, purchased services, and supplies. Finally, we also analyzed total staff in each area and staff per 500 students. Our calculations for the Kansas City school district and its peers are included in this appendix, and begin on page 34.

Appendix B Enrollment Peers for Kansas City 2011-12 School Year	
USD #	Student FTE Enrollment
259 - Wichita	45,754
512 - Shawnee Mission	26,535
233 - Olathe	26,373
229 - Blue Valley	20,898
500 - Kansas City	18,874
501 - Topeka	13,091
Source: Kansas Department of Education (audited).	

Appendix B
Comparison of per FTE Student Expenditures for Kansas City
and its Enrollment Peers (10,000 FTE or more)
2011-12 (a)



(a) Data does not include special education or property and equipment costs.
 (b) The high expenditures in district administration is primarily driven by salaries and supplies. However, because of unreliable supply cost data we were not able to pursue an analysis in this category.
 Source: LPA analysis of school district expenditures and enrollment data from the Kansas Department of Education and Kansas City school district.

APPENDIX B
2011-2012 Operating Expenditures Per FTE Student for
the Kansas City School District and its Enrollment Peers (10,000 or More Student FTE)

MEASURES (a)	School Districts					
	Wichita (259)	Shawnee Mission (512)	Olathe (233)	Blue Valley (229)	Kansas City (500)	Topeka (501)
Sorted by: Enrollment FTE	45,754	26,535	26,373	20,898	18,874	13,091
Operations and Maintenance						
Per Student Expenditures Breakdown						
Salaries	\$446	\$317	\$348	\$318	\$715	\$338
Employee Benefits	\$164	\$74	\$89	\$92	\$125	\$87
Purchased Services	\$62	\$34	\$98	\$76	\$162	\$117
Supplies	\$224	\$303	\$250	\$322	\$273	\$223
Other	\$0.06	\$0.06	\$0.00	\$0.07	\$294	\$16
Total Expenditure per Student	\$896	\$729	\$785	\$809	\$1,569	\$780
Staffing Information						
Total Operations and Maintenance Staff	624	287	282	244	262	144
# staff/500 students	6.8	5.4	5.3	5.8	6.9	5.5
Nutritional Services						
Per Student Expenditures Breakdown						
Salaries	\$137	\$142	\$143	\$122	\$190	\$167
Employee Benefits	\$37	\$53	\$42	\$50	\$58	\$56
Purchased Services	\$2	\$2	\$2	\$14	\$2	\$11
Supplies	\$260	\$196	\$197	\$226	\$289	\$361
Other	\$0.43	\$1	\$0.00	\$1	\$8	\$5
Total Expenditure per Student	\$437	\$394	\$384	\$413	\$547	\$600
Staffing Information						
Total Nutritional Services Staff	204	140	122	86	111	72
# staff/500 students	2.2	2.6	2.3	2.1	2.9	2.7
Transportation						
Per Student Expenditures Breakdown						
Salaries	\$10	\$2	\$2	\$5	\$298	\$7
Employee Benefits	\$3	\$0.31	\$0.39	\$1	\$69	\$1
Purchased Services	\$283	\$95	\$96	\$50	\$9	\$108
Supplies	\$39	\$14	\$25	\$23	\$24	\$20
Other	\$0.00	\$18	\$0.22	\$4	\$0.00	\$47
Total Expenditure per Student	\$335	\$130	\$123	\$83	\$400	\$185
Staffing Information						
Total Transportation Staff	4	0.00	2	1	123	2
# staff/500 students	0.04	0.00	0.04	0.02	3.27	0.09
District Administration						
Per Student Expenditures Breakdown						
Salaries	\$57	\$37	\$26	\$37	\$96	\$66
Employee Benefits	\$15	\$13	\$4	\$7	\$14	\$18
Purchased Services	\$18	\$11	\$6	\$29	\$43	\$57
Supplies	\$3	\$0.26	\$2	\$2	\$27	\$4
Other	\$5	\$1	\$0	\$5	\$31	\$2
Total Expenditure per Student	\$97	\$62	\$38	\$80	\$210	\$148
Staffing Information						
Total District Administration Staff	161	137	120	154	98	105
# staff/500 students	1.8	2.6	2.3	3.7	2.6	4.0
(a) Expenditures for property and equipment are excluded						
Source: LPA analysis of data provided by the Kansas Department of Education.						

Appendix C

District Response

On June 11, 2013 we provided copies of the draft audit report to Kansas City school district officials. The district's response is included in this appendix. Following the written response is a table listing the district's specific implementation plan for each recommendation.

The district generally concurred with the report's cost savings findings but had concerns about certain findings related to the district's accounting practices. We made several changes and clarifications to the draft report as a result of the district's review of the draft report.



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June 28, 2013

Justin Stowe
Deputy Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street
Suite 1200
Topeka, Kansas 66612-2212

Dear Mr. Stowe;

The vision of the Kansas City, Kansas Public Schools is to become one of the top 10 school districts in the nation. Our vision speaks to the district's commitment to provide excellent educational services to our students, their families, and our community. When organizations set forth high standards and expectations for achievement, strong leadership is essential. Our Board of Education has embraced a model of continuous improvement and has established five Strategic Priorities:

1. Safe and Respectful Learning Environments,
2. High Expectations for Student Achievement,
3. Good Stewards of Resources and Financial Accountability,
4. High Performing Workforce, and
5. Positive Community Relations and Partnerships.

We volunteered to participate in the K-12 Education Efficiency Audit, in order to utilize the expertise of the Legislative Post Audit Division to strengthen our efficiencies, cost savings measures and resource management. We recognized that our participation in the audit would both reinforce current practices and procedures, and identify areas of opportunity for improvement. While we acknowledge that some of the findings and recommendations may be challenging to implement, we appreciate the in-depth review of our resource management practices, and will leverage the report in keeping with our commitment to continuous improvement.

INSPIRING EXCELLENCE: EVERY GROWNUP, EVERY CHILD, EVERY DAY

I firmly believe in Robert Kennedy's admonition to "hang a lantern on your problems." If there are things that we can do in order to operate more efficiently, our students will benefit from us learning about it, and determining solutions to address the challenge. At the same time, my staff works incredibly hard, and they deserve a report that accurately reflects the work that they do, and the progress they have made in doing their work more efficiently. In addition, because we know there are individuals and organizations that are not supporters of public education, it is critical that the report be an accurate reflection of the challenges we face in operating efficiently, and not suggest issues or challenges that don't actually exist.

There are components of the final report that deserve to be commended. The report acknowledges that the Kansas City, Kansas Public Schools serves a community that is rich in diversity and very unique for the state of Kansas. We have many opportunities that cannot be replicated by most communities in Kansas. It is the very richness of being a global community, where more than 65 languages are spoken, and students come into our schools from around the world, that offers the district tremendous benefits as well as unique challenges.

While there are some references to the work the district has undertaken related to efficiency, it is important to emphasize the purpose of the audit was to provide concepts that may lead to cost savings. What is lacking in the report is context that relates efficiency actions that have already taken place, the impact of these actions, and the anticipated result over time. The strategies and actions deployed by the district have had, to use the language of the LPA, moderate to significant impact on our schools and community. I would like to remind you of some of that history.

During fiscal year 2010, the district, in response to school finance in Kansas, reduced 400 positions, including 130 teachers, eliminated entire departments providing services to students and families, and dramatically decreased central office operations, curriculum, and support services to schools. Over the past several years, the district has lost millions of dollars in state aid to schools, while at the same time, attempting to respond to increased demands and higher educational standards required by state statute. The district has experienced rising cost for utilities, insurance, health insurance, supplies, equipment, and fuel. The total result has eclipsed \$63,000,000 in lost revenue and increased costs. The fiscal challenges have been great, yet we continued our commitment to prepare each student to be on-track for success throughout their educational career and beyond.

The district has implemented many cost savings and efficiency measures, to include: zero-based budgeting and line by line examination of expenditures; a comprehensive salary study to compare wage and salary schedules for all employee groups in the district; freezing of and reduction of entry level salaries for positions determined to be over market rates; increase in class-size ratios K-12; adjusted criteria for transportation for middle and high school students; consolidated job responsibilities for central office positions; increased use of State contracts for purchasing; implemented measures for reducing health care costs; standardized curriculum and resource allocation across all schools; decreased or eliminated consultants; decreased expenditures for Workman's Compensation; decreased cash balances; obtained a federal grant to purchase CNG buses in order to decrease fuel costs while improving air quality; and aggressively pursues grant funds to continue valuable programs and supports.

It has been difficult to implement many of the aforementioned actions while continuing to meet the increased demands for improved educational outcomes. Our decision to participate in the Legislative Post Audit was an opportunity to be open and transparent about our current processes and procedures and to determine if additional cost savings could be achieved.

Specifically, I charged the staff to be open and transparent with the Legislative Post Auditors. I asked the district to embrace the audit as an opportunity consistent with our district's mission, which promotes inspiring excellence through continuous improvement. While many recommendations are consistent with efficiency actions our Board has already undertaken, more time for the auditors to thoroughly understand large district operations would have proven beneficial. This last point will be amplified in the relevant sections of this response.

The audit identified two specific challenges of the Kansas City, Kansas Public School District.

- *"The District's unique student population requires additional resources for instruction and student support."*
- *Union agreements may make it difficult to implement certain staffing and salary changes."*

The auditors affirmed that Kansas City, Kansas Public Schools cannot be easily compared to other districts in Kansas due to the unique educational needs of our students. The diversity of cultures is an asset that we embrace while recognizing

the need for additional human and fiscal resources to meet the needs of our student population. This past school year, 86% of our 20,267 students qualified for free meals. Students qualifying for free and reduced meals was a staggering 93% of the district's total student population. In 2013, there are 65 different home languages, and 8,000 students received services as English Language Learners. Poverty is by far the most significant issue facing the school district. Children living in poverty require additional support to close the achievement gap and ensure full preparation for college and careers.

Our community in the center of the metropolitan area of Greater Kansas City competing for teachers and highly qualified staff with school districts in Johnson County and other well-resourced suburban communities ranks high among the challenges for our district. The various Unions representing our employees are essential stakeholders whose input we value to achieve our goals. We will rely on the Union representatives, as well as employees from non-organized groups, to bring solutions to the table as we address the challenges outlined by this report and those that await the district in the future.

The established framing question for the audit was "*Could the Kansas City School District Achieve Significant Cost Saving by Improving Resource Management and What Effect Would Those Actions Have?*" We will respond to the specific recommendations in the order of categories identified as "*Little to No Impact, Moderate Impact, and Significant Impact.*"

LITTLE TO NO IMPACT

1. "Reducing Custodial and Maintenance Salaries or Staff Positions Could Save the District Between \$2.3 million and \$4.4 Million Annually"

FINDING – *"The district's custodial and maintenance staff salaries were significantly above market or peer rates."*

BACKGROUND – As noted in the report, the compensation study commissioned by the district in 2011 found certain custodial and maintenance salaries were between 15 and 40 percent above market rates. The district immediately implemented corrective actions of freezing current employee wages; reducing entry level salaries; and reviewing the number of positions required according to the district matrix for custodial assignments.

RESPONSE – The district will review the analysis provided by LPA and determine what actions, in addition to those implemented as a result of the

district's 2011 study, that may allow for acceleration of our plan to adjust salaries to be in alignment with market rates of peers having the same or similar job responsibilities. Consideration and review will include custodial and maintenance positions.

FINDING – *“In addition, the district's custodial staffing levels are high compared to peer districts and national benchmarks.”*

BACKGROUND – The average age of facilities owned and operated by Kansas City, Kansas Public Schools is 60 years. In keeping with the Board of Education's Strategic Priority of “Safe and Respectful Learning Environments,” the staffing matrix was developed to ensure all facilities were maintained at high levels of cleanliness and maintenance.

RESPONSE – The district will review the staffing ratio and evaluate peer average and national benchmarks to determine if reduction in custodial positions is feasible without compromise to safe, clean, and quality learning environments.

2. “Reducing Certain Administrative and Food Service Salaries to Market Rates Could Save the District Between \$100,000 and \$170,000 Annually

FINDING – *“The district could generate additional savings by aligning certain administrative and food service salaries with market rates.”*

BACKGROUND - The district's 2011 compensation study identified 20 positions paying 10 to 25 percent above market rates. The district's actions included freezing salaries for these positions and bringing in new employees at the market rate.

RESPONSE–The district will re-examine each of the identified positions paid above market and make the adjustments to move the positions to market by the 2014-15 school-year.

3. “Using Virtual Technology, the District Could Eliminate 48 Network Servers and Save up to \$35,000 and 2,300 Hours of Staff Time Annually”

FINDING – *“The district currently has 78 network servers that support the district's software applications for system such as payroll, accounting and inventory. The district could save up to \$35,000 a year in reduced server replacement, cooling, and power costs through virtualization.”*

BACKGROUND – The district began moving to virtual servers in the Fiscal-Year 2011. Servers have been converted following the district’s replacement cycle.

RESPONSE – The district will re-examine the replacement cycle and determine the fiscal impact of accelerating the cycle to replace physical servers with virtual servers.

4. “Increasing Procurement Card Usage Could Generate up to \$120,000 in Additional Revenue Annually”

FINDING – *“If the district maximized usage of its procurement cards it could generate up to \$120,000 in revenue annually.”*

BACKGROUND – The district has utilized Procurement Cards for purchase of 3% of its supplies. In addition, the district’s current rebate program, with a major supplier, results in \$50,000 in revenue/savings annually.

RESPONSE – The district will re-examine the use of Purchasing Cards and develop additional agreements with major suppliers to maximize potential cash back rebates, while maintaining strong fiscal controls and accounting processes and over-site.

The District would agree that Purchasing Card usage could be increased to attain a higher cash back rebates on an annual basis. We would also acknowledge that the use of the Purchasing Card creates indebtedness to the District prior to encumbrance of funds or approval of the expenditure. It is a financial tool that by its nature creates a higher risk of abuse or misuse than traditional methods and this fact should be considered as a part of the decision. In considering increased utilization we will balance the gain or benefit with the associated costs, vendor fees, and additional operational procedures and over-site requirements.

MODERATE IMPACT

1. “Outsourcing Transportation Services or Reducing Transportation Staff Wages Could Save the District up to \$2.1 Million Annually”

FINDING – *“Nearly all of the district’s peers provide transportation services at a lower cost per transported student.”*

BACKGROUND – The Auditors identified that all five of the district’s peers (more than 10,000 FTE students) outsource transportation services. Kansas City, Kansas Public School District owns and operates its own fleet of 170 buses and employs 212 bus drivers and support staff. Safety, driver training, and thorough background checks are a top priority of the school district.

RESPONSE – The district would categorize outsourcing as a significant impact on students and the community. The impact to students would be realized with decreased relationships between drivers who, for the most part, live in the community, know our neighborhoods and families. Maintaining a district fleet ensures thorough back ground checks, defensive driver training tailored to the needs of our students and schools, and quick deployment of buses in case of evacuations. Outsourcing most often results in fewer jobs for residents of the school district. We believe this recommendation would have a significant impact on the community. Outsourcing would lead to the disposal of the district fleet and transportation facilities that could never be replaced or recovered. It is with these factors that make it highly unlikely that the district would pursue outsourcing of transportation as a cost savings measure.

FINDING - *“Alternatively, the district could reduce certain transportation staff wages to market rate which could save the district about \$950,000 annually.”*

BACKGROUND – The district commissioned compensation study (2011) identified wages paid to bus drivers and mechanics to be above market rates. The district responded by freezing wages and aligned compensation of all new hires to the market rates.

RESPONSE – “The LPA states that a district official expressed concerns for reducing the wages of bus drivers. They told us they prefer to pay higher wages because it allowed them to hire and retain more qualified individuals.” The district values the retention of quality employees in all positions. However, it is not, and never has been, the intention to pay wages above market rates. The district will re-examine our current strategy to bring wages of drivers and mechanics to market rates. In addition, the district will work with representatives of the Bus Drivers Union and transportation managers to identify other cost savings measures with the goal of bringing expenditure to the levels comparable with identified peers.

SIGNIFICANT IMPACT

1. *“Closing One Middle School Could Save the District an Estimated \$1.4 Million Annually in Reduced Staff Salaries and Utility Costs”*

FINDING – *“Currently, the district’s middle schools have excess capacity due to declining enrollment over the last 20 years.”*

BACKGROUND –The district reviews enrollment trends in each of the schools on a regular basis to determine staffing patterns, boundary needs and facility usage. This has been important due to the high transition and mobility of families within our district. The auditors trended the middle school enrollment over 20 years from 5,000 to 4,200 students (17% decline). In the past five years the eight middle schools have experienced a 5% increase in enrollment. Boundary reviews have been done during the current school year as Northwest middle school has exceeded its capacity and will likely require overflow or boundary changes to support the instructional needs of students.

RESPONSE - The district facility utilization committee has been in place for a number of years. The charge of the committee is to assist the district to analyze facility usage, need for improvement, enhancements, and major renovations. The district is completing actions that were outlined as priorities in the comprehensive Facility Utilization Study of 2007 and adopted by the Board of Education.

We will re-engage the committee to look at enrollment trends and determine the best course of action to ensure an effective instructional program, maintaining quality facilities, while seeking cost savings and efficiencies. The committee will be charged to examine:

- a. Facility Usage and Enrollment Trends
- b. Enrollment Projections
- c. Feeder Patterns and Individual School Boundaries

The facilities utilization committee will bring recommendations to the Superintendent and Board of Education by May, 2014.

FINDINGS RELATED TO THE EFFICIENCY MANAGEMENT PROCESS

FINDING - *“The District Does Not Have a Process for Effectively Evaluating and Managing Efficiency”*

BACKGROUND – The district reviews critical efficiency measures each year, such as expenditures per student, expenditures by function, staff per student (PTR) for staffing purposes and individual building and department needs through zero-based budgeting. All of these facets are prudent in making quality budgetary decisions.

RESPONSE – The district is in the process of reviewing all policies, procedures, and practices. The process was initiated in the September 2012. The district will add to its regular review a model for efficiency management such as the model referenced in the LPA

- Calculation of efficiency measures
- Comparing those measures to peer districts and benchmarks
- Identify outliers and determine if changes are necessary

Following a model for efficiency measures will be instructive for the administration and Board of Education in the annual budgetary review and development process, and is in keeping with the Board’s Strategic Priority of “Good Stewards of Resources and Financial Accountability.”

FINDING – *“The district’s financial data does not easily allow comparison with other districts.” And “The District’s Accounting Policies and Practices Were Not Adequate for the Size of the District’s Operation.”*

BACKGROUND - As noted in the finding, it is not uncommon for larger districts to have unique accounting systems. This is due to the level of reporting necessary to effectively manage a large district, necessitating the expansion of accounting codes from the base codes presented in the Kansas Accounting Handbook, to adequately provide the accounting detail necessary for a large district.

The district financial processes and accounting records are independently audited on an annual basis by the firm of Mize, Houser Company.

An audit report is presented to the Board of Education at the conclusion of the audit. Significant excerpts of the June 30, 2012 audit report include:

“In our opinion, the financial statements referred to above present fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District, as of June 30, 2012, and the aggregate cash receipts and expenditures for the year then ended.

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency (ies) identified that are not considered to be material weaknesses? None reported
- Noncompliance material to financial statements noted? No

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.”

The accounting system in use by Kansas City Kansas School Districts is based upon the Kansas Accounting Handbook, with an expansion of the function numbers, and the addition of a responsibility codes (identifies budget manager) and a location numbers (identifies school or department). As the District pursues higher student achievement, the zero-based budgeting process was instituted to ensure higher accountability for expenditures based on student achievement and other critical district data and results. A comprehensive study of account coding was initiated by district in Fiscal-year 2013, to enhance the district capacity to analyze expenditures and develop fiscal plans. To date 300 new account codes were established to align with the state account codes. The study continues into Fiscal-Year 2014. What the LPA identified as “inaccuracies” are differences in district codes from those utilized by the Kansas State Department of Education (KSDE). The differences are not inaccuracies, but rather are differences in accounting systems. The district will continue our work to align to the KSDE accounting system in as much as is practical and allows for the detail in reporting necessary for a large school district.

The district’s accounting manual outlines the process for matching district and state accounting codes. We acknowledge and agree that the manual requires annual update and review to ensure all processes and account codes are represented.

In reference to two particular examples noted in the audit report:

- Transportation costs: The differences in the reported transportation costs and costs within the district accounting records is related to reimbursements to the transportation department by schools or other district departments. When these reimbursements are made, they are reflected as expenditures within the accounts of the school or department reimbursing the district. As a result, if the expenditures are not reduced by the reimbursements, it will cause the costs to be double counted. Guidance from the KSDE has indicated that we are not to report reimbursements and related expenditures if they will result in double counting costs.

- Reporting of supply and purchased services: This finding results from the reporting of repair and maintenance costs. Since each call ticket results in a unique decision of performing the repair in house, resulting in the need to purchase parts, versus hiring a service firm to perform the work, the district has historically provided for flexibility in spending by using a miscellaneous expenditure code to account for these costs. A part of the revision of account codes begun in Fiscal-year 2013, included a migration towards reporting these costs in a manner more closely aligned to the Kansas Accounting Handbook. As budget history has been developed with the new codes, it will be possible to further refine account codes to align with Kansas Accounting Handbook. Plans are already in place to create new account codes in this area in 2013-14.

RESPONSE - The district will continue the comprehensive review of accounting codes with the goal to match district expenditures to state codes in as much as is feasible without compromising the accounting data. The Chief Financial Officer and Director of Finance will meet with staff of KSDE to ensure all reporting requirements are in compliance with the acceptable accounting practices.

FINDING – *“The district’s procurement card policy and inventory is outdated, which could results in cards being misused.”*

BACKGROUND-The district recognizes the risk associated with the use of Purchasing Cards is higher than with normal purchasing procedures. As such, the district conducts a one hundred percent audit on all the district’s purchasing card expenditures. There have been no findings of misuse of, or concern for an incomplete inventory and accounting of the number of cards issued, by any of the audits performed since the inception of the program. Procurement staff are assigned to provide constant observation and testing, in addition to annual audits, due to the nature of this financial tool and the opportunities it presents for misuse.

The LPA asserts the District’s procurement card procedures are outdated. Aside from the addition of a paragraph identifying and describing the “declining balance” card, the District would assert the twenty-five page document is sound and the procedures for accountability, responsibility and auditing functions are still in use and appropriate. The “declining balance” card is a more conservative financial instrument than the Purchasing Card (as addressed in the procedure manual) as it carries a lower spending capacity and creates less financial exposure than the Purchasing Cards. This procurement tool is held to all of the same accounting standards as the Purchasing Card in the District’s program. The LPA identified no incidents of abuse or misuse. As a point of interest, the last

Legislative Post Audit performed on school district's Purchasing Card programs rated the Kansas City Kansas Public Schools program as the highest (strongest controls) of all school districts audited. The above noted changes have been made to the document.

RESPONSE - While we appreciate the reminder of the opportunity for misuse of purchasing cards, we dispute the characterization of an outdated inventory. Control over the Bank's monitoring portal has recently been moved to the district. This will allow real time access to data and activity for each of the purchasing cards as well as providing additional data in managing the card inventory processes. The transition of the portal from the Bank to the district will be completed in the first quarter of Fiscal-Year 2014.

FINDING – *“The district has not consistently maintained an accurate asset inventory.”*

BACKGROUND – The district has transitioned our asset inventory from a contract service to a process maintained internally. The responsibility for the inventory had been assigned to building-based staff, but within the first year the district recognized the need for centralized inventory control. The central inventory control led to the district employing a full time position in Fiscal-Year 2011 whose sole responsibility is to maintain an accurate asset inventory. Simultaneously, software agreements expired requiring the district to maintain the program while reviewing proposals for new systems.

RESPONSE – The district does not agree with the statement of “not consistently maintaining an accurate asset inventory.” We acknowledge challenges have been identified and swiftly addressed. The district is and will continue to review processes and procedures for maintaining accurate asset inventory.

FINDING – *“The district has not consistently monitored employee compensatory time.”*

BACKGROUND – The district has maintained the management of compensatory time at the school/ department. Building principals and managers have received training on the requirement for authorizing compensatory time and the processes for ensuring the employee receives the time earned.

RESPONSE – The district concurs that the process for monitoring employee compensation time would be more effectively administered and monitored at the district level. The Human Resources Department will assume the responsibility for monitoring compensation time beginning with Fiscal-Year 2014. Centralized monitoring will allow for more effective planning of staffing and the assurance that the time authorized is necessary and required.

IN SUMMARY – We appreciate the opportunity to participate in the K-12 Education: Efficiency Audit. The processes reaffirmed the districts efforts to be good stewards of resources and maintain high levels of fiscal accountability. The audit has recognized the district for the cost savings and efficiency actions already in place. At the same time, the audit has offered alternative and additional strategies for consideration. Finally, the audit challenged our accounting processes and procedures validating the difficulties large school districts face to align accounting processes to the State Accounting Handbook. We found areas of disagreement with the findings of “inconsistencies and inaccuracies in the district’s detailed expenditures.” The disagreement led to review of procedures with KSDE and the district’s external auditor. Overall the audit was a valuable experience in line with the continuous improvement processes utilized by Kansas City, Kansas Public Schools.

Sincerely,



Dr. Cynthia Lane
Superintendent of Schools

cc. Dr. Kelli Mather, Chief Financial Officer
Mr. Edwin Hudson, Chief of Human Resources

Attachment: Response Matrix

Itemized Response to LPA Recommendations

Audit Title: K-12 Education: Efficiency Audit of the Kansas City School District
Agency: Kansas City Kansas Public School District

LPA Recommendation	Agency Action Plan
Because of the potential for reducing costs with little to no impact on students or the community, the Kansas City school district <u>should implement</u> the following actions:	
Develop and implement a plan to reduce salaries in the following areas to bring them in line with market wages:	District will review recommendation and considered acceleration of our existing plan to move positions to market rates
a. custodial and maintenance	Review and determine if acceleration is feasible
b. transportation	Review and determine if acceleration is feasible
c. certain food service, school administration, and district administration positions	Revise district schedule for adjusting salaries to market for FY 2014
Develop and implement a plan to reduce the number of custodial positions to bring them in line with peers or national benchmarks.	Review staffing ratio and consider feasibility of adjusting number of positions assigned per square foot of the facility
Develop a strategy for increasing procurement card use.	Re-examine purchasing cards and develop agreements with major suppliers to maximize case back rebates while maintaining strong fiscal controls.
Use virtual technology to eliminate 48 network servers.	Re-examine the replacement cycle and determine fiscal impact of accelerating the replacement cycle
Implement an efficiency management process by taking the following actions:	The district will add to our processes regular calculations of efficiency management model
a. develop measures of efficiency	District will add to existing fiscal review processes measures of efficiency
b. identify comparable peers or other benchmarks	District will identify peers and other benchmarks
c. develop a process to accurately report expenditures to the Kansas Department of Education to ensure relevant comparisons	District processes are accurate. We disagree with this finding. We will continue our comprehensive review of accounting codes with a goal to match state codes where feasible
Enhance its current accounting practices by taking several actions:	
a. create a written policy and procedure manual to guide how the district's data will be transmitted to the Kansas Department of Education.	Procedures for cross-walking (aligning) accounting codes will be added to the district's accounting manual
b. update the district's procurement card policies and inventory to reflect the current number of cards, types of cards, and spending limits	District disagrees with the finding. We will continue the transition to district control over the Bank portal for monitoring inventory and activity
c. make maintaining an accurate inventory a high priority by proactively monitoring it to identify and remedy problems quickly	District disagrees with the characterization of lack of controls and will continue to strengthen asset control procedures and practices
d. require schools and departments to report overtime usage to the central office on a periodic basis, periodically review that information to identify excessive overtime, and review staffing and budget decisions based on that information	Overtime is already monitored closely by the district. We will move monitoring of Compensatory Time to the district's Human Resource Department effective with Fiscal-Year 2014

Because of the potential for impact on students or the community, the Kansas City school district should consider implementing the following actions:	
If the district cannot feasibly reduce the salaries of transportation, custodial, and maintenance staff, the district should consider outsourcing these operations.	Outsourcing will not be considered at this time. The district will analyze current strategy and consider acceleration of adjustments along with exploring other cost saving measures with employee groups and managers
Develop and implement a plan for closing one middle school and redistributing those students across the remaining schools.	District's Facility Utilization Committee will review enrollment trends, projections, feeder patterns and boundaries and make recommendations by May 2014

