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# PERFORMANCE AUDIT REPORT

## K-12 Education: Efficiency Audit of the Frontenac School District

A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
July 2016

# Legislative Division of Post Audit

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**Scott Frank, Legislative Post Auditor**

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July 27, 2016

To: Members, Legislative Post Audit Committee

Senator Michael O'Donnell, Chair  
Senator Anthony Hensley  
Senator Laura Kelly  
Senator Jeff Longbine  
Senator Julia Lynn

Representative Virgil Peck, Jr., Vice-Chair  
Representative John Barker  
Representative Tom Burroughs  
Representative Peggy Mast  
Representative Ed Trimmer

This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Efficiency Audit of the Frontenac 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,

Scott Frank  
Legislative Post Auditor

This audit was conducted by Heidi Zimmerman, Meghan Flanders, and Betty Liu. Justin Stowe was the audit manager. Dr. Tom Vernon was a consultant. If you need any additional information about the audit's findings, please contact Heidi at the Division's offices.

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# K-12 Education: Efficiency Audit of the Frontenac School District

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K.S.A. 46-1133 requires the Legislative Division of Post Audit to conduct a series of efficiency audits of Kansas school districts from fiscal year 2014 to fiscal year 2020. Like similar school efficiency audits conducted in previous years, the goal of these audits is to identify ways districts could reduce costs without affecting the education they provide students. Each year our office conducts audits of three school districts—one small (fewer than 500 students), one medium (500 to 4,000 students), and one large (more than 4,000 students). The law further stipulates that school districts be selected on a voluntary basis first and exempts school districts that have participated in a similar efficiency audit in the previous 10 years.

Frontenac school district volunteered for our audit in July 2015 in the middle-sized school district category. This efficiency audit answers the following question:

**1. Could the Frontenac 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 an analysis of Frontenac’s expenditures, a staff survey, interviews with district officials, and a tour of the district’s facilities designed to identify potential efficiency options. We identified six peer districts that had similar demographics (e.g. a similar percentage of free-lunch students) to the Frontenac school 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 is included in *Appendix B*. Where applicable, we compared district operations, controls, and processes to best practices to determine if they were adequate. Our work included a review of the district’s internal controls for its procurement cards, purchasing, inventory, and cash handling. We provided a management letter to the Frontenac school district to convey minor findings not discussed in the report.

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the

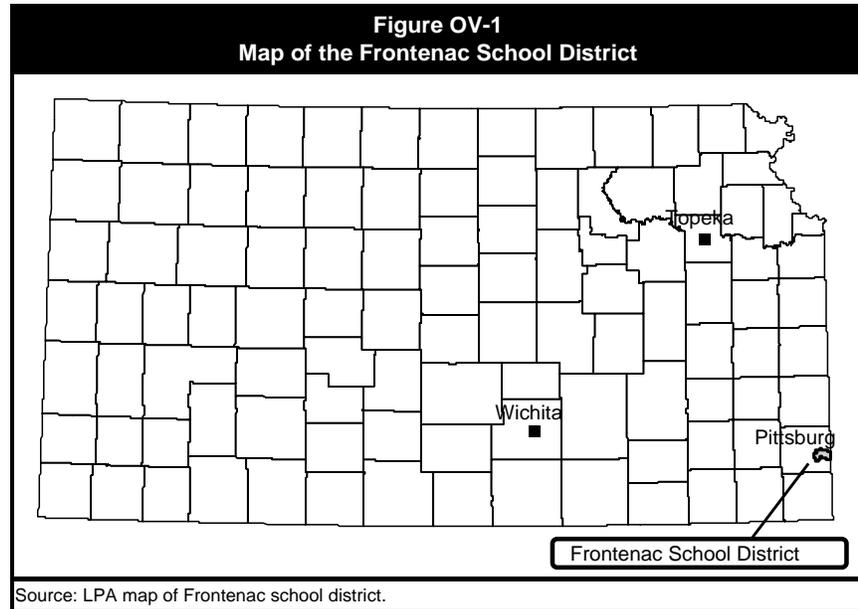
evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit findings begin on page 7, following a brief overview of the Frontenac school district.

## Overview of the Frontenac School District

***The Frontenac School District Served About 876 FTE Students and Employed About 96 FTE Staff in the 2014-15 School Year***

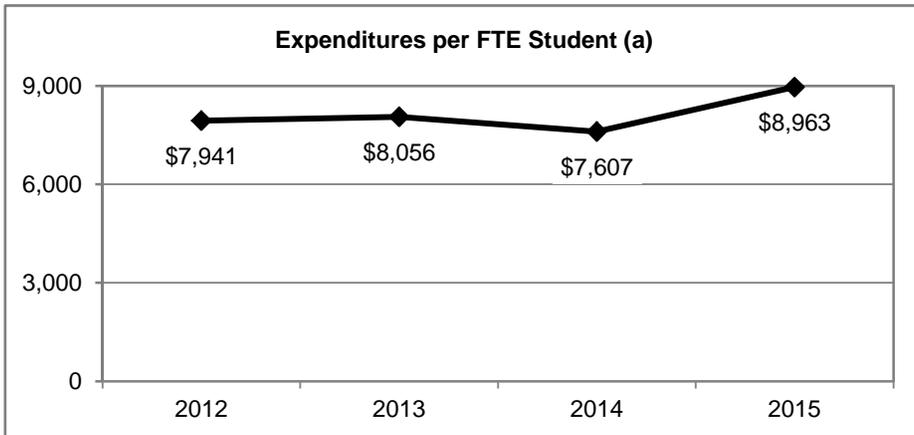
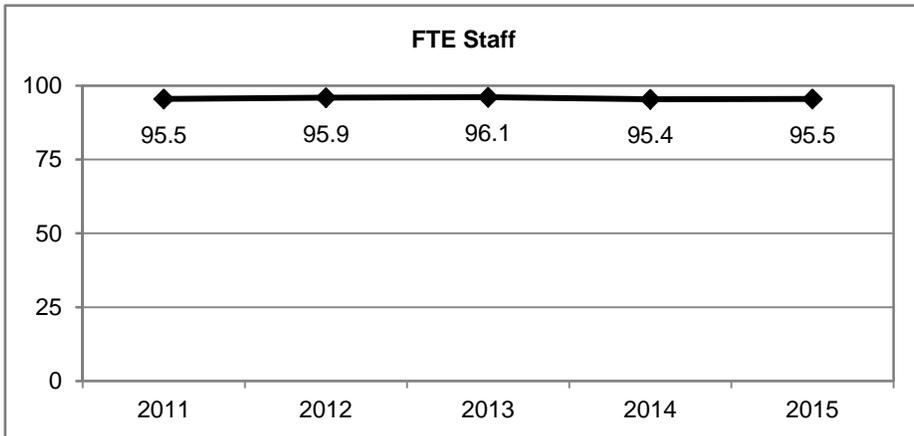
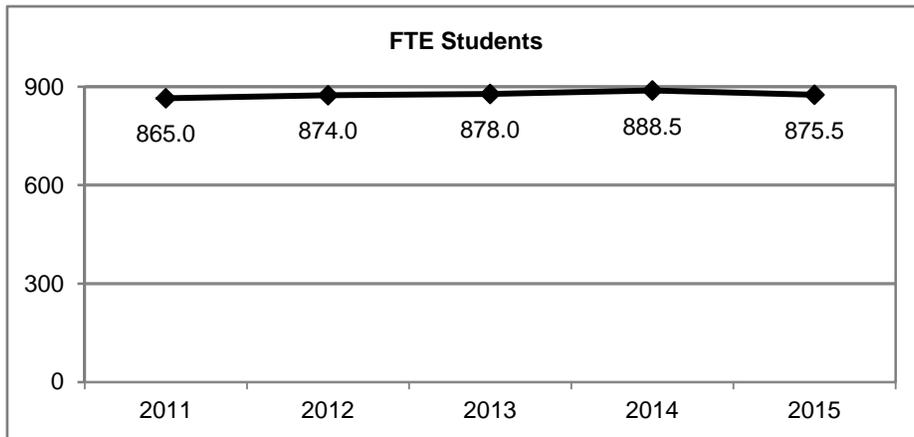
The Frontenac school district is located in southeast Kansas, in Crawford County. **Figure OV-1** provides a map of the district. The district has three neighboring districts: Pittsburg, Northeast, and Girard.



**During the last five years, the Frontenac school district's student enrollment and staffing have remained constant while expenditures per FTE student have increased. Figure OV-2, on page 4, shows five-year trends for student enrollment and staffing, and the four-year trend for expenditures per FTE student for the Frontenac school district. As the figure shows:**

- **The district's student enrollment has remained relatively constant.** The district had 875.5 FTE students in the 2014-15 school year compared to 865 FTE in 2010-11.
- **The district's staffing levels have also remained constant.** The district employed 96 FTE staff in the 2014-15 school year, which was the same as in 2010-11.
- **The district's expenditures per FTE student have increased by almost 13%.** The district spent about \$8,963 per FTE student for regular education in the 2014-15 school year, up from \$7,941 per FTE student in 2011-12.

**Figure OV-2  
Enrollment, Staffing, and Expenditure Trends for the  
Frontenac School District  
(2011-2015 school years)**



(a) Expenditures have not been adjusted for inflation. Expenditures exclude property and equipment and include regular education costs only.  
Source: Kansas State Department of Education (audited)

**Figure OV-3** summarizes district expenditures for the 2014-15 school year. As the figure shows, total district expenditures for that year were about \$10.1 million. Our analyses excluded almost \$2.7 million of that total in property and special education expenditures.

That is because districts provide special education services in a variety of ways, so including them would distort comparisons across districts. Additionally, property and equipment purchases were excluded because they can vary significantly from year to year.

<b>Figure OV-3 2014-15 Expenditures for the Frontenac School District</b>			
<b>Category</b>	<b>Total</b>	<b>\$ Per FTE Student</b>	<b>% of Total (c)</b>
<b>All District Expenditures (a)</b>			
Regular Education	\$7,847,056	\$8,963	77%
Special Education	\$1,195,690	\$1,366	12%
KPERS (b)	\$454,961	\$520	4%
Property and Equipment	\$182,045	\$208	2%
Other	\$456,107	\$521	4%
<b>Total</b>	<b>\$10,135,859</b>	<b>\$11,577</b>	<b>100%</b>
<b>Expenditures Evaluated in This Audit (d)</b>			
<b>Expenditures by Function</b>			
Instruction	\$4,624,584	\$5,282	62%
Operations & Maintenance	\$1,138,966	\$1,301	15%
School Administration	\$376,259	\$430	5%
Food Service	\$376,316	\$430	5%
District Administration	\$280,193	\$320	4%
Student Support	\$287,884	\$329	4%
Instruction Support	\$249,040	\$284	3%
Transportation	\$142,414	\$163	2%
<b>Total (d)</b>	<b>\$7,475,656</b>	<b>\$8,539</b>	<b>100%</b>
<b>Expenditures by Object</b>			
Salaries	\$4,703,895	\$5,373	63%
Supplies	\$1,026,451	\$1,172	14%
Benefits	\$867,898	\$991	12%
Purchased Services	\$518,627	\$592	7%
Other	\$358,785	\$410	5%
<b>Total (d)</b>	<b>\$7,475,656</b>	<b>\$8,539</b>	<b>100%</b>
(a) Totals exclude transfers between funds.			
(b) The state pays the employer portion of KPERS for the district.			
(c) Totals may not add due to rounding.			
(d) Totals excludes property and equipment, special education, and certain categories such as construction and debt service.			
Source: Kansas Department of Education (audited)			

**The Frontenac school district has significantly less property wealth and fewer bilingual students, but a similar amount of poverty compared to the state average.** First, the district's assessed valuation per pupil (a measure of property wealth) of \$28,540 was significantly lower than the state average of \$67,874. Further, less than 1% of Frontenac's students received services for limited English proficiency, compared to the state average of almost 10%. Finally, 37% of Frontenac's students received free lunches compared to the state average of 40%.

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

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*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 or the community (p. 10).*

*We identified two options that would have little to no impact on students or the community. We estimated the district could save up to \$30,000 by limiting routine food service fund transfers (p. 11). Additionally, the district could generate \$5,000 to \$14,000 in revenue by increasing meal prices to the peer or state average (p. 12).*

*We also identified one option that would have a moderate impact on students or the community. The district could save \$180,000 annually by switching to a traditional eight-period schedule and filling its core high school classes to capacity (p.14).*

*Finally, we identified one option that would have a significant impact on students or the community. The district could save \$20,000 by ending its practice of busing students who live less than 2.5 miles from school (p. 16). Alternatively, the district could generate about \$3,500 in revenue by charging a fee to those students (p. 17).*

*In addition to the savings and revenue options listed above, we found the district lacks certain practices and policies to adequately protect its assets (p. 17) and created an expensive retirement bonus that it is unlikely to be able to eliminate (p. 19).*

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### ***The Frontenac School District Volunteered for an Efficiency Audit and Reported Taking Several Actions to Reduce Costs in Recent Years***

The Frontenac school district volunteered for an audit in July 2015 pursuant to K.S.A. 46-1133. This efficiency audit focuses on ways in which the district can provide the same quality of educational services using fewer resources or could use existing resources more productively.

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

- **The district reduced its reliance on outsourcing.** This includes ending the practice of sending uniforms out to be cleaned, reducing its dependence on outside contractors for maintenance services by

hiring an additional maintenance worker, and having its own IT director install a new phone system instead of paying a contractor.

- **The district reduced its number of teaching positions.** The district has not filled certain teaching positions after teachers retired, and started sharing teachers across various grade levels. However, these reductions have been offset by staff increases in other areas so total staffing in the district has remained constant for the last five years.
- **The district centralized and streamlined certain processes.** This includes replacing time cards for classified staff with software to save administrators' tracking time and having the superintendent review all bills.

District officials tracked the costs savings for some, but not all, of efficiency actions taken in previous years. Officials estimated the district's annual savings to be about \$280,000. We did not perform any audit work to verify these reported actions or savings.

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

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

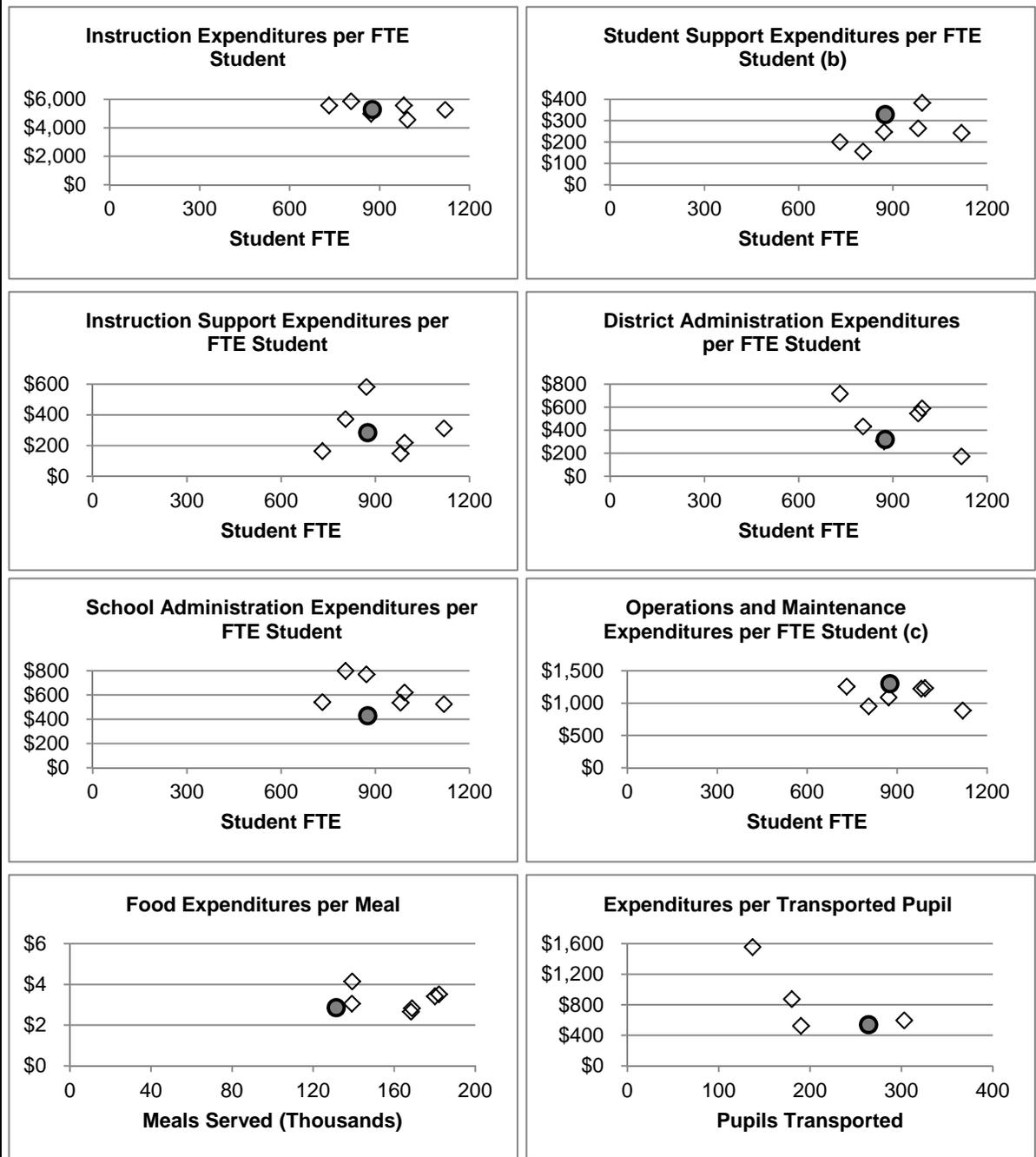
- **We compared Frontenac's school district expenditures to peer districts on a per-student basis.** We selected six other school districts whose demographics were similar in terms of size, property values, poverty levels, and the percent of students who have limited English proficiency. **Appendix B** provides a list of these peer districts and their demographic information. We then compared Frontenac's expenditures on a per-student basis to peer districts' expenditures to identify potential outliers.

**Figure 1-1**, on page 9, compares Frontenac's expenditures on a per-student basis to its peer districts in several areas of spending. As the figure shows, Frontenac spent more than most of its peers in a couple categories such as student support and operations and maintenance.

- **We surveyed Frontenac's district staff to identify potential inefficiencies.** In total we received 64 responses for a response rate of 56%. Of those who responded, 80% reported the district operated efficiently or very efficiently.
- **We interviewed Frontenac's school district officials and staff and toured school buildings to better understand and observe district operations.**
- **We interviewed officials in other similar Kansas school districts and officials at the Kansas Association of School Boards (KASB) and consulted with an experienced Kansas public school administrator to provide feedback on the feasibility and impact of our potential cost savings options.**

**Figure 1-1  
Expenditure Comparison for Frontenac and its Peer Districts  
2014-2015 School Year (a)**

**Frontenac Signified by ●**



(a) Data does not include special education or property and equipment costs.  
 (b) It appeared that some of Frontenac's peers did not report all related expenditures in this category. After we made adjustments, Frontenac's student support expenditures per FTE were similar to peers.  
 (c) The district's operations and maintenance expenditures appeared greater than peers in 2014-15 because the district spent about \$500,000 to renovate its track (about \$150,000 was paid for through a grant) and made multiple payments in order to pay off a lease related to improving its energy efficiency. When these expenditures were accounted for, the district's operations and maintenance expenditures per FTE were slightly less than its peers.  
 Source: LPA analysis of audited school district expenditure and enrollment data from the Kansas Department of Education and the Frontenac school district.

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

- **Options that would have little to no impact on students or the community and should be implemented.** Some of these options may affect students' daily routines, but will have little effect on students' instructional experience. For example, limiting the amount of money the district transfers from its general fund to its food service fund would have little impact on students.
- **Options that could have a moderate impact on students or the community, but should be considered.** These options could have some effect on students. For example, increasing meal prices would affect the students who currently pay full price to eat school lunches.
- **Options that could have a significant impact on students or the community, but should be considered.** These options could potentially yield the largest savings, but likely will also affect student instruction or the community in significant ways. For example, ending the practice of busing students who live less than 2.5 miles from school would significantly affect those students and their families.

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

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

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The options presented in this section likely would have little to no impact on students or the community.

*Figure 1-2* summarizes the cost savings and revenue enhancements in this category. As the figure shows, the district could achieve \$35,000 to \$44,000 in savings if it implemented both of the following options:

- limiting routine food transfers (page 11)
- increasing meal prices to the state or peer average (page 12)

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

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

Option	Annual Cost Savings/ Increased Revenues		School District Officials' Concerns	LPA Assessment of District Officials' Concerns
	Minimum	Maximum		
Eliminate Routine Food Service Transfers	\$30,000		• None	• None
Increase Meal Prices to the State or Peer Average	\$5,000	\$14,000	• This action could adversely affect the district because of the district's poverty levels.	• The students who currently receive free or reduced meals would not be affected by increased meal prices.
<b>Total District Savings</b>	<b>\$35,000</b>	<b>\$44,000</b>		

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

***The District Could Save up to \$30,000 Annually by Limiting Routine Food Service Transfers***

Ideally, food service operations should be self-sufficient. School districts should raise enough revenues from meal prices and state and federal meal reimbursements to cover the costs of the district's food program. However, when districts cannot generate enough revenue through those means, the district must transfer money from its general fund to its food service fund to make up the difference. Although districts can use general fund money to pay for the food service program, federal rules prohibit districts from using food service funds for any purpose other than the food service program.

**The district has routinely transferred \$30,000 from its general fund to its food service fund each of the last four years.** District officials told us they made these transfers because they needed sufficient cash flow to cover food and labor expenses at the beginning of each school year. These expenses are incurred the first month of each year, before the district receives revenues from students or from state and federal reimbursements. As a result, the district has reflexively transferred \$30,000 each year for the last several years without evaluating how much it actually needed to cover its cash flow needs.

**Limiting the \$30,000 annual transfer would free up money for other uses such as classroom supplies, information technology upgrades, or paraprofessional salaries.** The district could save \$30,000 in general funds by not making this transfer in the 2016-17 school year, and then re-evaluating whether it is necessary from that point forward. Based on our analysis of the district's food service expenditures, we found that it is likely the district will not need to make this transfer every year. We found in the last couple years the district has ended the year with a balance of about \$50,000 and then transferred \$30,000 (for an ending balance of \$80,000). However, we estimated the district needs only about \$35,000 to purchase food supplies and labor at the beginning of the

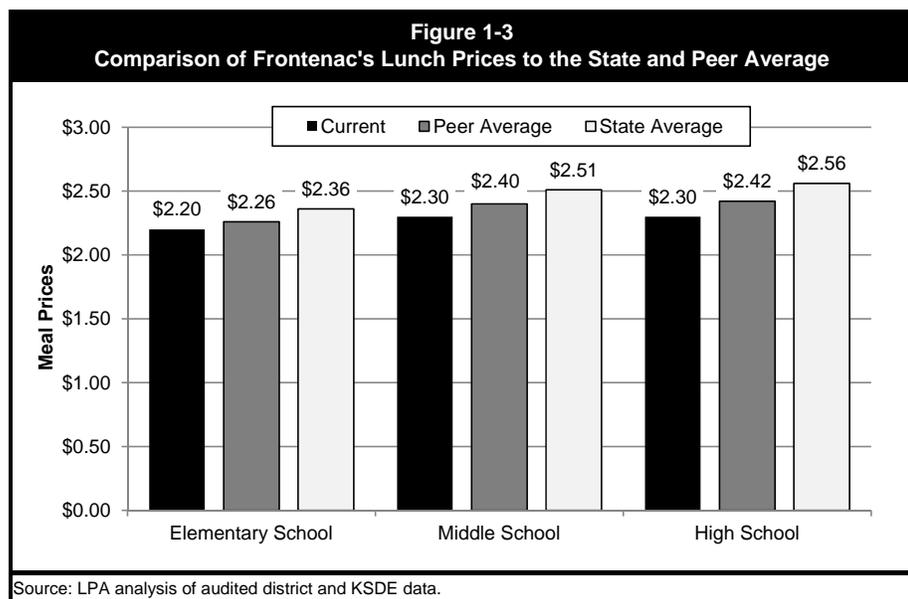
next year. As a result, the district's original ending balance of \$50,000 would have been enough to cover the next year's beginning costs without a transfer being necessary.

**Given the district's relatively small size and the uncertainties related to food service costs and revenues, the district may need to transfer some funds in future years.** It is often difficult for smaller districts to consistently operate self-sufficient food service programs. That is because fixed overhead costs tend to be more difficult to cover with small numbers of food program participants. Additionally, a district's financial position can change unexpectedly based on food costs or the rate at which students participate in the breakfast or lunch program. As a result, the district may encounter years where a transfer is necessary. This increases the necessity of having a process in place to annually evaluate the food program's financial needs.

District officials did not have any concerns about evaluating the district's food service program financial status before transferring money from the general fund to the food service fund.

***The District Could Generate \$5,000 to \$14,000 in Revenue by Increasing Meal Prices to the Peer or State Average***

Because the district's cost per meal was low compared to peers (\$2.86 per meal compared to a peer average of \$3.27), we looked for ways the district could increase revenues to ensure food operations were self-sufficient and eliminate the need to transfer funds from the general fund. We found that the district's meal prices were less than peer and state averages which creates an opportunity for the district to increase revenue by raising meal prices. **Figure 1-3** shows the district's lunch prices compared to the state average and to the district's peer average.



**If the district increased meal prices to either the peer average or state average, it could generate additional revenue of \$5,000 to \$14,000.** We used meal price and participation data from KSDE to determine how much revenue the district could generate by increasing its meal prices. Based on that work we found:

- **The district could generate \$5,000 in additional revenue by increasing meal prices to the district’s peer average.** This would require a 4% increase in meal prices or about an \$0.07 increase on average.
- **The district could generate \$14,000 in additional revenue by increasing meal prices to the state average.** This would require a 12% increase in meal prices or about \$0.21 on average.

**District officials raised a concern about raising its meal prices to the state average.** Officials were concerned about the financial affect an increase in meal prices would have on students’ families. This is a legitimate concern but students who currently receive free or reduced meals would not be affected by increased meal prices and thus have been excluded from our estimates.

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

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The option presented in this section could have a moderate impact on students or the community. *Figure 1-4* summarizes the costs savings associated with switching from a block schedule to a traditional schedule. As the figure shows, the district could save up to \$180,000 if it chose to implement this option. The figure also lists district officials’ concerns, as well as our assessment of those concerns.

<b>Figure 1-4</b>				
<b>Summary of Cost Savings or Revenue Generating Options for the Frontenac School District With a Moderate Impact on Students or the Community</b>				
Option	Annual Cost Savings/ Increased Revenues		School District Officials' Concerns	LPA Assessment of District Officials' Concerns
	Minimum	Maximum		
Switch to a Traditional Eight-Period Schedule and Fill its Core High School Classes (a)	\$180,000		• None	• None
<b>Total District Savings</b>	<b>\$180,000</b>			

(a) This action would also save the state \$17,000 in annual KPERS contributions.  
Source: LPA analysis of audited district and KSDE data, and interviews with district officials.

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***The District Could Save Up To \$180,000 by Switching to a Traditional Eight-Period Schedule and Filling its Core High School Classes***

**The district's use of a block schedule and its practice of not filling core high school classes to capacity means the district has more teachers than necessary.** The district currently uses a block schedule, which increases the number of teachers the district needs because each teacher teaches fewer classes than under a traditional schedule (the district currently employs about 40 middle school and high school teachers). Under a block schedule, teachers teach three different classes on alternating days, or six classes per semester. Under a traditional eight-period schedule, teachers would teach seven classes each day (the remaining period would be planning time) or seven classes per semester. Under a traditional schedule, existing teachers would teach more classes each semester, and as a result, the district would need fewer teachers.

Additionally, the district does not fill core classes at the high school to capacity, which also results in the district having more teachers than are necessary. About one-third of the district's core high school classes (math, science, social studies, and English) had 14 or fewer students in the class, even though other classes had many more. For example, some English classes had only 11 students while others had 26. If the district filled all high-school classes to capacity (about 20 to 22 students) it would offer fewer classes and need fewer teachers. By contrast, the district's middle school classes were typically filled to capacity.

**If the district switched to a traditional schedule and filled core high school classes to capacity, it could reduce the number of teachers by two to three FTE in the middle and high school for a savings of \$180,000.** If the district took these actions:

- **The district could reduce 0.5 FTE English teachers at the middle school.** Because the district already fills its middle school classes to capacity, this reduction would solely be a result of switching to a traditional eight-period schedule.
- **The district could reduce 2.5 FTE teachers at the high school.** This includes 1.0 FTE in math, 1.0 FTE in science, and 0.5 FTE in English. These reductions would be the cumulative result of both filling classes to capacity and switching to a traditional schedule.

Because of the difficulty in finding part-time teachers, it may only be feasible for the district to reduce 2.0 FTE teachers instead of 2.5 at the high school. In this case, the district could still save about \$120,000 annually in salaries and benefits.

The state could also save up to \$17,000 in KPERS funding if the district reduced 3.0 FTE teachers. Because the state pays the employer share of KPERS on behalf of the district, it achieves savings when a district reduces salary costs. In this case, reducing

the number of teachers would also reduce the state’s KPERs obligation.

**Converting to a traditional schedule would create some challenges for the district, but many schools use a traditional schedule which includes several benefits.** Traditional schedules are common in school districts across Kansas. Out of 286 school districts, we identified 143 districts that use a traditional schedule at its middle school and 206 districts that use it in its high school. Although commonly used, we identified both benefits and challenges to a traditional schedule including:

- **Traditional schedules have some benefits, including more consistent teaching time and shorter classes.** Under the district’s alternating block schedule, students take each class every other day. In a traditional schedule, students will attend each class every day, which in some cases can help students retain the class material. Additionally, under a traditional schedule, classes are shorter (47 minutes compared to 84 minutes in a block schedule) which can be better for many, and especially younger, students.
- **However, teachers would also carry a greater workload under a traditional eight-period schedule.** *Figure 1-5* compares the current block schedule to the traditional eight-period schedule for various measures. As the figure shows, under the current block schedule, teachers have 84 minutes of planning time per day. In a traditional eight-period schedule, they would only have 47 minutes per day. Also, teachers would teach about 20 more students each semester than in a traditional schedule. Finally, the school day would be 17 minutes longer (437 minutes instead of 420) under a traditional schedule. However, the longer day would still be shorter in length compared to some of the district’s peers that had days as long as 461 minutes.

**Figure 1-5  
Comparison of Frontenac's Current Block Schedule to a  
Traditional Eight-Period Schedule**

Schedule Type	Classes Taught Per Semester	Students Taught Per Semester	Teacher Planning Time Per Day (minutes)	Teaching Time Per Day (minutes)	Length of School Day (minutes)
<b>Current Block Schedule</b>	6	121	84	290	420
<b>Traditional 8-Period Schedule</b>	7	141	47	329	437
<b>Difference</b>	1	20	(37)	39	17

Source: LPA analysis of the district's middle school and high school schedule.

District officials did not have any specific concerns about switching to a traditional schedule or filling classes to capacity. Officials told us some teachers would prefer shorter class periods and the ability to teach students every day, while others would prefer the current, longer class length.

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

The cost savings options in this section could have a significant impact on students or the community. For example, ending the district’s practice of busing students who live less than 2.5 miles from school represents a significant change for many parents. **Figure 1-6** summarizes the cost savings in this category. As the figure shows, we estimated the district could save about \$20,000 by ending the practice of busing students who live less than 2.5 miles from school. Alternatively, the district could offset the cost of providing transportation by charging a fee to students who live less than 2.5 miles from school and ride the bus.

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

**Figure 1-6**  
**Summary of Cost Savings or Revenue Generating Options for the Frontenac School District**  
**With a Significant Impact on Students or the Community**

Option	Annual Cost Savings/ Increased Revenues		School District Officials' Concerns	LPA Assessment of District Officials' Concerns
	Minimum	Maximum		
End the Current Practice of Busing Students Who Live Less than 2.5 Miles from School  -OR-  Consider Charging These Students a Fee to Offset District Costs (a)	\$3,500	\$20,000	<ul style="list-style-type: none"> <li>District officials expressed concerns about student safety because some residential neighborhoods do not have sidewalks and a highway runs through the town.</li> </ul>	<ul style="list-style-type: none"> <li>Although the district's concern is legitimate, district officials should consider its options for addressing student safety while still decreasing its costs or increasing its revenues in this area.</li> </ul>
<b>Total District Savings</b>	<b>\$3,500</b>	<b>\$20,000</b>		

(a) The amount of revenue the district could generate would depend on the fee the district charged. To completely offset the cost of transporting students who ride the bus but live less than 2.5 miles from school, the district would need to charge about \$570 per student. Although that is probably not feasible, the district could generate about \$3,500 by charging each student \$100.  
Source: LPA analysis of audited district and KSDE data, and interviews with district officials.

***The District Could Save \$20,000 Annually by Ending its Practice of Busing Students Who Live Less than 2.5 Miles from Their School***

**The district currently chooses to bus 55 students who live less than 2.5 miles from school.** K.S.A. 72-8302 requires school districts to offer transportation services to students who live more than 2.5 miles from their school, and the state provides transportation aid to help cover the cost. On the other hand, there is no requirement to bus students who live closer than 2.5 miles, and districts that choose to do so get no additional transportation aid from the state. Currently, two of the three regular education bus routes serve students who either live outside of town or 2.5 miles or more from school. The third route transports only students who live less than 2.5 miles from school. Of the 55 students the district currently transports, at least 80% live less than 1.5 miles from school (we did not have data to determine a more precise number).

Further, district officials reported that some of these students live only blocks from the school.

**If the district no longer bused these 55 students it could eliminate one bus route and save \$20,000 annually.** By ending its current practice of busing students who live less than 2.5 miles from school, the district could eliminate one bus route. We used expenditure data provided by the district to calculate the savings related to eliminating one bus route. These savings are related to reductions in labor, fuel, maintenance, and insurance costs. Our analysis excluded special education routes, so those students would not be affected.

**District officials expressed concerns about student safety if the district were to stop busing students who live within 2.5 miles of school.** In Frontenac, some residential neighborhoods do not have sidewalks and there is a highway that runs through the town. To ensure student safety, school district officials told us that some parents may need to take their children to school if the district stopped busing them. We agree that such safety considerations are important. However, we also think that it would be possible to identify these students and develop solutions specific to their needs instead of simply busing all students who live within 2.5 miles of school.

**Another option is for the district to charge students who want to ride the bus but live less than 2.5 miles from school.** The district could raise about \$3,500 to offset costs if it charged \$100 per student. We found the district would need to charge almost \$570 per year, per student to completely cover the cost of transporting those students. Although this may not be reasonable, a lesser fee might be. This analysis excludes students who receive free lunches, because state law prohibits school districts from charging transportation fees to these students.

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## OTHER FINDINGS

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***The District Lacks Certain Practices and Policies to Adequately Protect its Assets***

Best practices recommend that an organization have policies to adequately protect its assets. This can include policies that require segregation of duties to reduce the likelihood of fraud or a master inventory to monitor assets and prevent theft.

**Although two individuals are involved in cash handling, their duties are not sufficiently segregated to reduce the district's risk of fraud and abuse.** Best practices recommend the district separate certain cash handling duties among multiple people. In Frontenac, one individual is responsible for processing payroll and

the other is responsible for processing accounts payable. Both these individuals have unrestricted access to the accounting system, blank checks, and signature stamps. However, because only one of these individuals is responsible for reconciling the district's bank statement each month, that person could write a check to themselves then sign, cash, and process it without the other person reviewing the transaction. In this case, if the blank checks were in the possession of the district secretary while the accounting was done by the board clerk it would require two individuals to act in collusion to commit a fraud, which would reduce the district's risk.

The lack of these practices puts the district at greater risk of fraud and abuse and reduces the likelihood that such activities would be detected. However, it is important to note that our limited test work did not detect any of these types of fraudulent activities.

**The district does not have a functional inventory that allows staff to appropriately monitor the district's physical assets.**

Best practices recommend that the district have a complete inventory that includes the district's valuable physical assets including computers, vehicles, and other equipment. Further, best practices recommend that the district have written policies and procedures to guide how the inventory is compiled and verified. However, the district does not have a master inventory (some departments maintain their own while others do not) nor does it have any related policies or procedures.

The lack of these controls puts the district at greater risk of theft in three ways. First, not having an inventory increases the chance that an employee might try to steal something because they know that nobody is keeping track of the assets (a deterrent risk). Second, it increases the likelihood the district will not actually know when something is missing (a detection risk). Finally, the lack of an inventory puts the districts at greater risk of overspending because the district does not know what it already has.

**The Kansas Association of School Boards (KASB) offers a variety of policy development services and could assist the district as it develops its own policies.** KASB is a not-for-profit organization that provides services, such as training and legal assistance to school districts and other educational organizations. KASB offers model policies in many of the areas we found deficiencies, which could provide significant assistance to the district.

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***The District Has Offered an Expensive and Unique Retirement Bonus That Cannot Be Easily Eliminated***

During our work we found that the district offers a retirement bonus to certain long-term employees. Although we were not able to identify any ways for the district to reduce the costs associated with this bonus, we did evaluate its financial effects on the district.

**Until recently, the district offered a unique retirement bonus to staff who worked for the district for at least 15 years.** Before 2013, the district offered a retirement bonus to teachers or administrators who had worked continuously for the district for at least 15 years (the district stopped providing this bonus to staff hired after September 2013). Under the plan, eligible staff can begin receiving the bonus payment when they retire from the district and begin drawing their KPERS benefits. The bonus is paid once a year for five years and each payment is between 10% and 15% of their last year of base pay. The bonus is in addition to the KPERS benefits school district employees receive.

**The district has spent almost \$586,000 on this retirement bonus since 2004 and will likely spend an additional \$490,000 over the next four years.** For the 18 individuals who have received the bonus since it began in 2004, the average bonus has been \$42,000 in total. We identified 58 staff hired before September 2013 who are not yet receiving the payment but could be eligible to receive it assuming they work for the district for 15 years. Of those 58 employees, 21 have already worked for the district for at least 15 years. Based on data provided by the school district, we determined the district could be paying for this benefit for the next 33 years, though we were not able to reliably estimate the cost that far into the future.

**Districts should consider the long-term liabilities they may create when negotiating similar salary benefits.** Although Frontenac may have achieved some positive benefits in the past by offering this bonus, it did so by creating a very expensive future liability. Further, the district is paying a large bonus to teachers who have already retired rather than hiring additional teachers or purchasing other items the district needs now.

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

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

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

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

2. Implement a process to evaluate how much the district needs to transfer each year to its food service program, if any, and transfer only that amount (page 11).
3. In conjunction with the transfer assessment mentioned above, comprehensively assess each year how much revenue the district needs to generate for its food service program to be self-sufficient, and to the degree it is feasible, increase meal prices to generate that target revenue (page 12).

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

4. Consider switching to a traditional eight-period schedule at the middle school and high school (page 14).
5. Consider implementing policies that set the optimal number of students for each class at the high school and then consolidate classes not filled to capacity (page 14).
6. Consider eliminating transportation services for students who live less than 2.5 miles from school or, alternatively, consider charging students who ride the bus and live less than 2.5 miles from school to help offset the district's costs (page 16).

To address issues related to safeguarding their assets, the district should implement the following actions:

7. Contact KASB to identify the board's model policies and to solicit any guidance the district needs to create written policies and procedures that include the following:
  - a. the role and responsibility for each person involved in cash handling including how responsibilities will be split among multiple individuals (page 17).

- b. the process by which the district's physical assets will be inventoried including what items should be included, what information should be collected about each item, who is responsible to compile the inventory, and a process for periodically verifying its accuracy (page 18).



## APPENDIX A Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on July 23, 2013. The audit was required under K.S.A. 46-1133.

### **K-12 Education: Efficiency Audit of Selected School Districts**

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

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

This school district performance audit answers the following question:

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

**Estimated Resources:** 3 LPA staff  
**Estimated Time:** 6 months (a)

*(a) From the audit start date to our best estimate of when it would be ready for the committee*



**APPENDIX B**  
**Detailed Information about Peer District Selection**

This appendix contains demographic information for Frontenac and the school districts we selected as its peers.

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

- We calculated the following demographic measures for all Kansas school districts:
  - Total enrollment
  - Percent of students who are eligible for free lunches
  - Percent of students who have limited English proficiency
  - Total assessed property value per student
- We developed a statistical model to identify peer districts that were most similar to the Frontenac school district based on those measures.

<b>Appendix B</b>					
<b>Demographic Information for the Frontenac School District and its Peers</b>					
<b>(2014-15 school year)</b>					
USD #	Name	FTE Students	% Free Lunch	% Limited English Proficiency	Assessed Valuation Per Pupil
248	Girard	981	39%	1%	\$36,230
249	Frontenac Public Schools	876	37%	1%	\$28,540
336	Holton	1,119	35%	2%	\$37,754
337	Royal Valley	872	39%	0%	\$33,199
434	Santa Fe Trail	993	37%	0%	\$47,284
436	Caney Valley	732	38%	0%	\$43,875
447	Cherryvale	805	46%	0%	\$28,694

Source: Kansas State Department of Education (audited).



**APPENDIX C**  
**District Response**

On June 24, 2016, we provided copies of the draft audit report to Frontenac 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.

**Frontenac Public Schools**

Unified School District # 249  
RICK SIMONCIC, Superintendent  
208 S. Cayuga  
Frontenac, Kansas 66763  
District Phone (620) 231-7551  
District Fax (620) 231-1312



**Board of Education**  
Mike Bitner, President  
Barbara Barto, Vice President  
Randy Flora  
Megan Fry  
Anthony Menghini  
Seth Nutt  
Ryan Varsolona

*"Changing the World, ONE CHILD AT A TIME"*

July 8, 2016

Legislative Division of Post Audit  
800 Southwest Jackson St., Suite 1200  
Topeka, KS 66612

Dear Mr. Scott Frank,

Unified School District #249 Frontenac Schools would like to thank the Legislative Division of Post Audit team for their professionalism and express our appreciation for the recent efficiency study. Our district volunteered for this study and the Board of Education's goal was to increase our efficiency by reducing expenditures.

Three years ago the Board of Education began looking for ways to become more efficient. We eliminated deficit spending to where over the last two years we have been able to repair costly maintenance issues like replacing two roofs, a track, boiler, and purchased a bus.

The Board of Education is always looking for ways to become more fiscally responsible with taxpayer money as we strive to become more efficient as a district. The following recommendations will be studied and considered by our Board of Education.

**Little to No Impact**

**The recommendation is to limit routine food service transfers.** The Board of Education will seriously consider this recommendation. In order to accomplish the stated goal of saving \$30,000 and making the food service program self-efficient.

The district had already increased meal prices 10 cents for the 2016-2017 school year prior to receiving the recommendation of increasing meal prices to our peers. Student participation in our food service program has been on a five-year decline. Our food service director has been working to increase participation but without much success. We recently had a food service employee resign, so the Board of Education will look at not replacing this position.

**Moderate Impact**

**The recommendation is for the district to transition from a block schedule to a traditional schedule in the junior high and high school.** The district will make every effort to ensure class sizes are full and to maximize staff efficiency. However, we offer upper level and remedial classes to our students. These classes don't always fill to capacity. These upper level classes provide opportunities for our college bound students and the remedial classes provide necessary support to struggling students to ensure they are successful and graduate. The district will consider setting up a rotation of classes so they are not offered every year but offered every other year. Since pre-kindergarten through twelfth grade are located on one campus we do share staff between the junior high and the high school to make us more efficient. However, that does limit our scheduling flexibility.

*An Equal Employment / Educational Opportunity*

**Frontenac Public Schools**

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RICK SIMONCIC, Superintendent  
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Ryan Varsolona

*"Changing the World, ONE CHILD AT A TIME"*

**Significant Impact**

**The recommendation is to end the districts practice of busing students who live less than 2.5 miles from school.** The district has some apprehensions regarding this recommendation. The Board is always concerned with student safety and since we have two highly traveled roads on two sides of the district campus. The Board has always transported students under 2.5 miles. The lack of sidewalks would result in students walking to school in the middle of the road causing safety concerns for parents and the Board of Education.

**Other Findings**

**The recommendation is separation of duties to reduce the district's risk of fraud.** Before the audit the district was working with KASB to rewrite our district policies. KASB attorney's reviewed and made recommendations to our current board policies so we meet all requirements of the law. Those polices were adopted in February of 2016. Each month the board treasurer and the superintendent review and sign the bank reconciliation that shows in detail every written check performed by the board clerk. Our CPA auditor annually checks to ensure these duties are completed every year.

**The recommendation is to add a functional inventory that allows staff to appropriately monitor the district's physical assets.** This is an area the district recognizes needs improvement. Three years ago the district researched the cost to implement such an inventory program at the time the program was cost prohibitive and the district was struggling financially. Now, the district is in a better position financially and will implement an inventory program.

The district realizes the retirement incentive is a huge liability to the district. However, this must be negotiated and the teachers union was unwilling to give up the retirement incentive.

Thank you to the legislative post audit team for allowing USD #249 the opportunity to participate in the legislative post audit.

Sincerely,

Rick Simoncic  
USD 249 Superintendent

*An Equal Employment / Educational Opportunity*

## Itemized Response to LPA Recommendations

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

LPA Recommendation		Agency Action Plan
<b>Question 1</b>		
1.	District officials should post a copy of the completed performance audit on the district's website.	The district will post the audit on our website <a href="http://www.frontenac249.org/district">http://www.frontenac249.org/district</a> .
<b>Because of the potential for reducing costs or generating revenue with little to no impact on the educational services provided to students, the district <u>should</u> implement the following options:</b>		
2.	Implement a process to evaluate how much the district needs to transfer each year to its food service program, if any, and transfer only that amount.	Student participation in our food service program has been on a five year decline. Our food service director has been working to increase participation but without much success. We recently had a food service employee resign, so the Board of Education will look at not replacing this position.
3.	In conjunction with the transfer assessment mentioned above, comprehensively assess each year how much revenue the district needs to generate for its food service program to be self-sufficient, and to the degree it is feasible, increase meal prices to generate that target revenue.	The district had already increased meal prices 10 cents for the 2016-2017 school year prior to receiving the recommendation of increasing meal prices to our peers.
<b>Because of the potential for impact on students or the community the district <u>should consider</u> implementing the following cost savings options:</b>		
4.	Consider switching to a traditional eight-period schedule at the middle school and high school.	The district will make every effort to ensure class sizes are full and to maximize staff efficiency. However, we offer upper level and remedial classes to our students. These classes don't always fill to capacity. These upper level classes provide opportunities for our college bound students and the remedial classes provide necessary support to struggling students to ensure they are successful and graduate. The district will consider setting up a rotation of classes so they are not offered every year but offered every other year. Since pre-kindergarten through twelfth grade are located on one campus we do share staff between the junior high and the high school to make us more efficient. However, that does limit our scheduling flexibility.
5.	Consider implementing policies that set the optimal number of students for each class at the high school and then consolidate classes not filled to capacity.	The district will consider setting up a rotation of classes so they are not offered every year but offered every other year.
6.	Consider eliminating transportation services for students who live less than 2.5 miles from school or, alternatively, consider charging students who ride the bus and live less than 2.5 miles from school to help offset the district's costs.	The district has some apprehensions regarding this recommendation. The Board is always concerned with student safety and since we have two highly traveled roads on two sides of the district campus. The Board has always transported students under 2.5 miles. The lack of sidewalks would result in students walking to school in the middle of the road causing safety concerns for parents and the Board of Education.  The district's Board will consider charging students who live less than 2.5 miles from school for transportation services.

To address issues related to safeguarding their assets, the district <u>should</u> implement the following actions:	
7.	Contact KASB to identify the board's model policies and to solicit any guidance the district needs to create written policies and procedures that include the following:
	Before the audit the district was working with KASB to rewrite our district policies. KASB attorney's reviewed and made recommendations to our current board policies so we meet all requirements of the law. Those polices were adopted in February of 2016.
	a. the role and responsibility for each person involved in cash handling including how responsibilities will be split among multiple individuals.
	Each month the board treasurer and the superintendent review and sign the bank reconciliation that shows in detail every written check performed by the board clerk. Our CPA auditor annually checks to ensure these duties are completed every year.  The district's Board will consider making the recommended changes to the policies and procedures.
	b. the process by which the district's physical assets will be inventoried including what items should be included, what information should be collected about each item, who is responsible to compile the inventory, and a process for periodically verifying its accuracy.
	This is an area the district recognizes needs improvement. Three years ago the district researched the cost to implement such an inventory program at the time the program was cost prohibitive and the district was struggling financially. Now, the district is in a better position financially and will implement an inventory program.



