

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Ft. Thomas Unified School District's student achievement was much lower than peer district and state averages, and it operated inefficiently overall, with most costs higher than peer districts'. The District's administrative costs were much higher than peer districts' and it lacked sufficient accounting controls. The District's plant operations costs were high, and despite having two schools with excess space, the District is building a new school. Food service costs per meal were higher than peer districts', and the District spent more than \$96,000 of its Maintenance and Operation Fund monies to subsidize the program. Food service costs were high because the District did not enforce food service vendor contract requirements, and it provided free meals to all students even though 18 percent of students did not qualify for free or reduced-price meals through the National School Lunch Program. Although transportation costs were higher per pupil, the program was efficient with lower costs per mile and per rider than peer districts'.



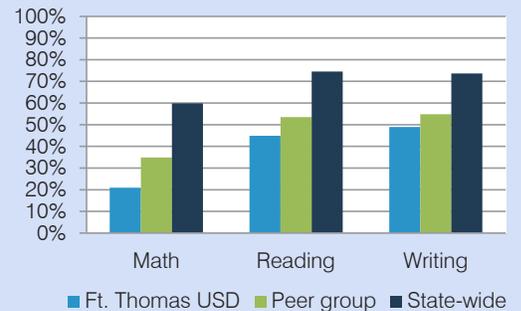
2013

Low student achievement and inefficient operations overall

Student achievement much lower than peer districts'—In fiscal year 2010, Ft. Thomas USD's student AIMS scores were much lower than both peer district and state averages. Additionally, only one of the District's three schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, and its 62-percent high school graduation rate was lower than the peer districts' 69-percent average and the State's 78-percent average.

Operational costs much higher than peer district averages'—In fiscal year 2010, Ft. Thomas USD's administrative, plant operations, and food service costs were much higher than the peer districts' average costs. However, despite a high per-pupil cost, the District's transportation program operated efficiently with lower costs per mile and per rider than peer districts' averages.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2010



Comparison of per-pupil expenditures by operational area
Fiscal year 2010

Operational area	Ft. Thomas USD	Peer group average
Administration	\$2,209	\$1,447
Plant operations	1,825	1,473
Food service	786	428
Transportation	520	468

District had much higher administrative costs

At \$2,209, Ft. Thomas USD's fiscal year 2010 per-pupil administrative costs were \$762, or 53 percent, higher than peer districts', on average. Overstaffing was one reason for the higher costs. The District employed one administrative full-time equivalent (FTE) position for every 37 students while the peer districts employed an average of one administrative FTE for every 53 students. Also, the District's \$61,801 in administrative travel costs were much higher than the peer districts' average of \$4,500, in part because the District tended to send four to seven staff and board members to conferences and trainings, rather than one or two key staff members. Further, Ft. Thomas USD paid higher costs to administer its federal grants, but it also received more federal grant monies per pupil than the peer districts averaged.

Recommendations

The District should:

- Review its administrative positions to see if they can be reduced to save costs.
- Limit the number of employees attending conferences or seminars to key staff members who need to attend.

Inadequate accounting controls

In fiscal year 2010, Ft. Thomas USD lacked adequate controls over payroll and purchasing. For example, the District did not have a delayed payroll system and instead paid employees, in part, on anticipated hours to be worked. Additionally, some purchases were made without prior approval and some payments were made without adequate supporting documentation, including payments for fuel card invoices, travel claims, and vendor invoices for an arts program. Although no improper transactions were detected in the items we reviewed, these poor controls exposed the District to an increased risk of errors and fraud.

Recommendations

The District should:

- Establish a delayed payroll system.
- Ensure it requires prior approval before purchases are made.
- Require supporting documentation for purchases and travel claims before payment is made.

District is building a new school despite high costs and excess space

In fiscal year 2010, Ft. Thomas USD's per-pupil plant operations costs were 24 percent higher than peer districts', on average, because the District operated and maintained 26 percent more square footage per pupil than the peer districts' average. This extra square footage was clearly excess space since the District's two main schools operated at 50 percent or less of capacity. Despite this, the District began constructing a new elementary school in fiscal year 2011. Although the District used federal monies to construct this school, the District's plant operations costs will further increase when it begins having to maintain the new school because it does not have a clear plan of how to best use its already existing under-capacity schools and has no plans to close any of its existing schools. As of May 2013, the new school lacked a permanent water source, so it was not yet able to open.

Recommendation

The District should identify and reduce excess space in its schools.

District's costly food service program required a \$96,000 subsidy

In fiscal year 2010, Ft. Thomas USD's \$3.49 cost per meal was 15 percent higher than the peer districts' average. Costs were high because the District did not hold its food service vendor to all of its contract terms. As a result, costs were 20 percent higher than promised in the contract. Further, although 18 percent of students did not qualify for free or reduced-price lunches through the National School Lunch Program, the District decided in fiscal year 2009 to provide free meals to all students. The federal reimbursement for the students not qualifying for the program was 27 cents per meal compared to the \$2.70 reimbursement for a qualifying student's free meal. Since fiscal year 2006, the District subsidized the program by almost \$500,000, including \$96,000 in fiscal year 2010. These subsidies came from monies that otherwise potentially could have been spent in the classroom.

Recommendations

The District should:

- Determine, along with its legal counsel, whether to pursue reimbursement from the food service vendor for the amount that actual costs exceeded contracted amounts.
- Evaluate the costs and benefits of providing free meals to all students.