

NOTE TO THE READER

In addition to the published report (below) and the audit highlights sheet, two other documents are available. Both the Kansas Department of Education and the Garden City School district provided supplemental information in addition to their formal responses. These documents are linked below.

[Supplemental information provided by the Kansas Department of Education](#)

[Supplemental information provided by the Garden City School District](#)

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PERFORMANCE AUDIT REPORT

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

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

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April 28, 2017

To: Members, Legislative Post Audit Committee

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

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

Legislative Post Audit Committee Rule 3-3 requires the Legislative Post Auditor to notify the committee if an audited agency responds negatively to the findings or recommendations in the report. In its formal response, the Garden City school district concurred with some of the report's findings and recommendations. However, the agency disagreed with many of the report's findings regarding staffing levels and the estimated savings related to taking actions such as reducing its cell phone stipend. More information on this issue can be found in Appendix A on page 35 of the report.

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

Sincerely,

Justin Stowe
Deputy Legislative Post Auditor

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Table of Contents

Introduction	1
Overview of the Garden City School District.....	3
Question 1: What Options Could the Garden City School District Consider to Increase Operational Efficiency and Improve the Effectiveness of Their Financial and Information Technology Security Controls?.....	7
Recommendations.....	31
Appendix A: District Response.....	35
Appendix B: Detailed Information about Peer District Selection.....	51
Appendix C: Bibliography.....	53

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

Background Information

K.S.A. 46-1133 directs our office to conduct three school district efficiency audits of one small, one medium, and one large school district each fiscal year. The law further stipulates that school districts be selected on a voluntary basis first and exempts school districts that have participated in a similar efficiency audit in the previous ten years. In years in which no school district volunteers for an audit within one of the three size categories, a school district is randomly selected and given 30 days to appeal its selection. Since 2012, we have performed 12 school district efficiency audits under the provisions of this law and a related budget proviso.

Objectives, Scope and Methodology

Legislative Post Audit randomly selected the Garden City school district for an audit in September 2016 in the large-sized school district category. This efficiency audit proposes answers to the following question:

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

Our work included an analysis of the Garden City school district's expenditures, a staff survey, interviews with district officials, and a tour of the district's facilities designed to identify potential efficiency options. We identified five demographically similar peer districts for the Garden City school district and compared them on various measures of efficiency. That allowed us to identify areas where the Garden City district's spending appeared to be relatively high. *Appendix B* describes how we selected these peers and includes demographic information for each district.

Where applicable, we compared district operations, controls, and processes to best practices or national benchmarks to determine the adequacy of the district's financial and information technology security controls. Our work included a review of the district's internal controls for its inventory, cash handling, purchasing, and purchasing cards. Additionally, we reviewed the district's IT security controls. We communicated the results of that work to the district in a separate, confidential management letter because the information could jeopardize the district's IT security.

We also identified certain minor issues that were communicated separately to district management. Those issues are not included in this audit report.

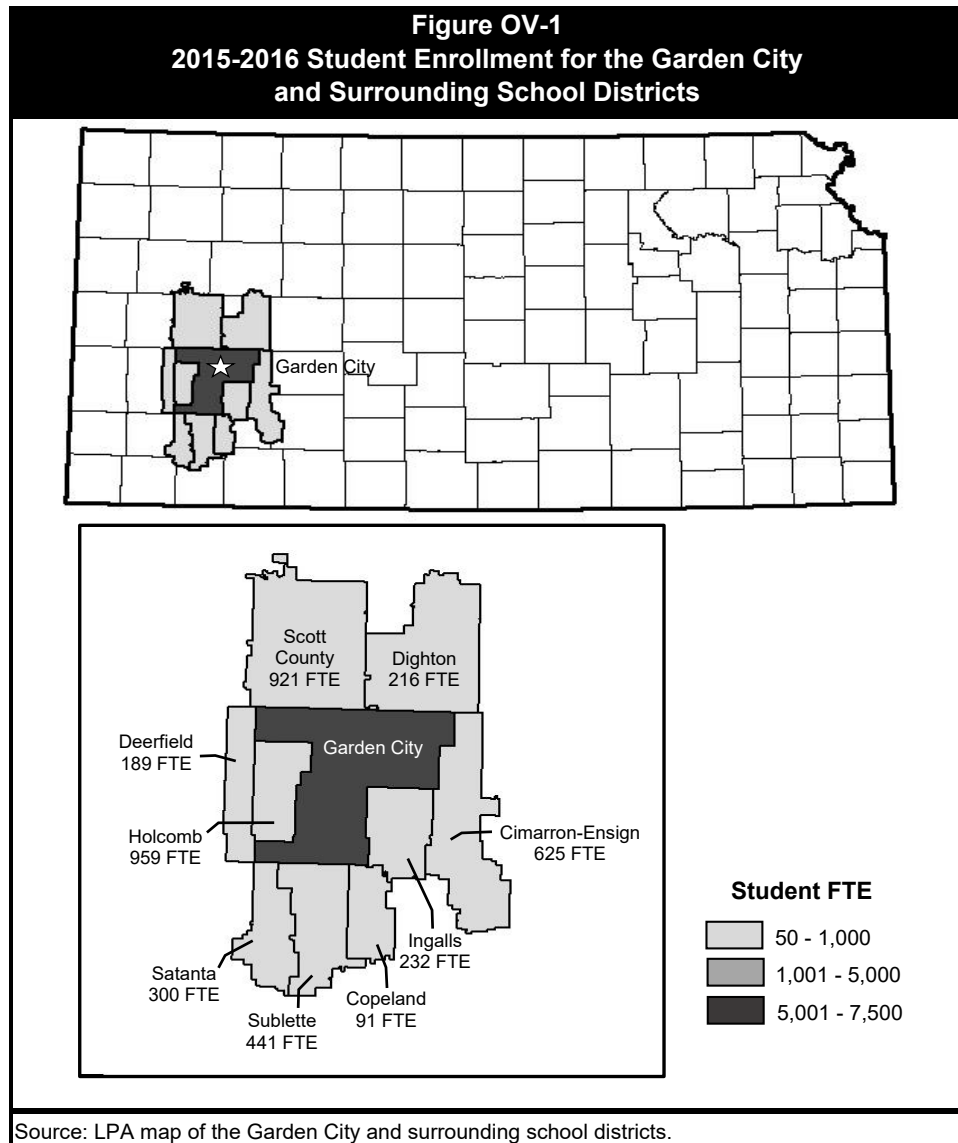
***Compliance with
Generally Accepted
Government Auditing
Standards***

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

Overview of the Garden City School District

The Garden City School District Served 7,237 FTE Students and Employed 1,045 FTE Staff in the 2015-16 School Year

The Garden City school district is located in southwest Kansas, in Finney County. **Figure OV-1** is a map of the Garden City school district and its surrounding districts. As the map shows, the district has nine neighboring districts: Holcomb, Satanta, Sublette, Copeland, Ingalls, Cimarron-Ensign, Dighton, Scott County, and Deerfield. Garden City has 18 schools: 11 elementary schools (eight kindergarten through 4th grade and three kindergarten through 6th grade), two intermediate schools (5th and 6th grade), two middle schools (7th and 8th grade), one high school (9th through 12th grade), one alternative school, and an early childhood center.



During the last five years, the Garden City school district's student enrollment and expenditures per FTE student have increased, while staffing has decreased. Specifically:

- **The district's student enrollment has increased slightly by 2%.** The district had 7,237 FTE students in the 2015-16 school year compared to 7,069 FTE students in the 2011-12 school year.
- **The district's expenditures per FTE student have increased by 6%.** The district spent about \$8,698 per FTE student for regular education in the 2015-16 school year compared to \$8,186 per FTE student in 2011-12.
- **The district's staffing level has decreased by 5%.** The district employed 1,045 FTE staff in the 2015-16 school year compared to 1,100 FTE staff in 2011-12.

Figure OV-2, on page 5, summarizes district expenditures for the 2015-16 school year. Total district expenditures for that year were about \$98.2 million. Our analyses excluded about \$36 million of that total—primarily expenditures related to special education, property, equipment, and debt service. Expenditures for special education services are excluded because the ways different districts provide them vary significantly. Similarly, we excluded expenditures for property, equipment, and debt service because they can vary substantially from year to year.

The Garden City school district has less property wealth, more students in poverty, and more students who receive limited English proficiency services than the state average. In the 2015-16 school year, the district's assessed property valuation per pupil was just more than \$46,000, which was less than the state average of almost \$70,000. Additionally, 59% of Garden City's students received free lunches compared to the state average of 40%. Finally, approximately 44% of the district's students received services for limited English proficiency, which is significantly more than the state average of 10%.

**Figure OV-2
2015-16 Expenditures for the
Garden City School District**

Category	Total	\$ per FTE Student	% of Total
All District Expenditures (a)			
Regular Education	\$62,949,017	\$8,698	64%
Special Education	\$10,973,142	\$1,516	11%
Other	\$10,854,505	\$1,500	11%
Debt Service	\$7,089,725	\$980	7%
KPERS (b)	\$4,162,797	\$575	4%
Property and Equipment	\$2,157,522	\$298	2%
Total (c)	\$98,186,708	\$13,567	100%
Expenditures Evaluated in This Audit (d)			
Expenditures by Function			
Instruction	\$34,769,236	\$4,804	56%
Operations & Maintenance	\$7,885,825	\$1,090	13%
Food Services	\$4,356,872	\$602	7%
Instructional Support	\$4,170,819	\$576	7%
School Administration	\$4,020,945	\$556	6%
Student Support	\$2,860,419	\$395	5%
District Administration	\$2,077,634	\$287	3%
Transportation	\$1,868,983	\$258	3%
Total (c)	\$62,010,733	\$8,569	100%
Expenditures by Object			
Salaries	\$39,541,662	\$5,464	64%
Benefits	\$10,919,499	\$1,509	18%
Supplies	\$7,897,074	\$1,091	13%
Purchased Services	\$2,955,536	\$408	5%
Other	\$696,962	\$96	1%
Total (c)	\$62,010,733	\$8,569	100%

(a) Totals exclude transfers between funds.

(b) The state pays the employer portion of KPERS on behalf of the district.

(c) Totals may not add due to rounding.

(d) Totals excluded property and equipment, special education, and certain categories such as construction and debt service.

Source: Kansas Department of Education (audited).

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

We identified a number of opportunities for the district to operate more efficiently and improve the effectiveness of its financial controls and IT controls. In the low-impact category, the district could potentially save up to \$390,000 annually by implementing various energy savings strategies (p. 13). The district could save \$270,000 to \$330,000 annually by reducing information technology positions (p. 14). We estimated the district could save between \$260,000 and \$470,000 by eliminating several custodial positions (p. 16). Further, the district could save \$175,000 to \$215,000 annually by eliminating several elementary school clerical positions (p. 17). The district could save \$30,000 to \$100,000 annually by reducing or eliminating its sick leave buy-back policy (p. 19). Additionally, it could save between \$25,000 and \$60,000 annually by changing its policies on cell phones (p. 20). The district could generate one-time revenues of about \$300,000 and about \$8,000 in ongoing savings and revenues by selling a storage building (p. 21). Finally, the district could save money by paying actual mileage for in-district travel rather than a flat stipend (p. 23).

We also identified one option that would have a significant impact on students or the community. The district could save between \$180,000 and \$325,000 annually by closing a small rural school and having those students attend other schools (p. 26).

In addition to the savings and revenue options listed above, we also found that the district lacked comprehensive policies and procedures to adequately protect its assets (p. 29). This included a lack of written policies and procedures and inadequate tracking of physical assets and procurement cards.

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

The primary purpose of school efficiency audits is to identify ways districts may better use their current resources through increased efficiencies. We take a variety of steps (described in detail on pages 9 and 10) to identify ways a school district could use its current resources more efficiently. Improvements in district efficiency can be defined in two ways:

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

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

Our evaluation is limited to certain types of spending and evaluates those expenditures for a single district within the current K-12 education system. The majority of the expenditures we evaluate fall within several categories including food service, operations and maintenance, transportation, and administration. However, we do not assess special education expenditures and many expenditures related to instruction. This is because we are not education experts and are not qualified to make recommendations regarding curriculum or instructional practices.

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

The school district decides which audit recommendations it will pursue and how to use the savings or revenues it realizes through increased efficiencies. Although this audit recommends Garden City implement a number of actions, it is up to the district to determine which recommendations best serve its priorities. Further, district officials determine how best to use the savings it achieves if it implements our recommendations. Garden City can use those resources in two ways:

- **The district can redirect savings or additional revenues to pay for other priorities.** For example, if the district saves \$300,000 by aligning its custodial staffing with a national benchmark, it can use that \$300,000 to hire additional teachers, purchase new textbooks, make technology improvements, or address other district priorities, and remain budget neutral.
- **The district can use any savings or revenues to reduce its total expenditures and potentially lower its local tax burden.** Because the state funds students rather than costs, reducing costs rarely results in direct savings to the state (the exception is when a district reduces its staff costs, which results in savings to the state in the form of reduced KPERS payments). However, reducing costs or increasing other revenues might give the district the opportunity to lower its local property tax rates.

The Garden City School District Was Randomly Selected for an Efficiency Audit Pursuant to State Law and Has Reported Taking Actions to Improve Its Efficiency

Legislative Post Audit randomly selected the Garden City school district for an efficiency audit in September 2016 pursuant to K.S.A. 46-1133. The random selection occurred in the Legislative Post Audit offices and a representative from the Kansas Association of School Boards witnessed it.

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

- **The district changed its budgeting process to include specific cost reductions each year.** For a number of years, the district required each department to identify and implement cost reductions annually. Although the district stopped using this process in 2014, it reported making reductions of 4% to 30% depending on the department.
- **The district has reduced certain staff over the last three years.** This includes eliminating four assistant principal positions at the elementary schools, reducing food service staff hours, and eliminating several coaching positions for athletic teams. District officials estimated it saves about \$425,000 annually by taking these actions.
- **The district reports taking steps to reduce its information technology costs.** These include centralizing some IT staff, virtualizing servers, and using multi-year contracts to lock in prices over time. District officials estimated it saves about \$55,000 annually by taking these actions. However, as described on page 14, the district's IT staff costs are still high compared to its peers, and we identified additional opportunities for savings.
- **The district reports taking steps to reduce its energy costs.** The district has replaced old windows and re-programmed the high school's heating, ventilation, and air condition (HVAC) system to operate more efficiently. Officials estimated that re-programming the high school HVAC systems saves about \$50,000 annually. However, as described on page 13, the district's energy costs are still high compared to its peers and its own internal goals, and there are additional opportunities for greater energy efficiencies.

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

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

- **We compared Garden City's school district expenditures to peer districts on a per-student basis.** We selected five other school districts whose demographics were similar in terms of district size, property values, and the percent of students who have limited English proficiency or qualify for free lunch. Those districts are Dodge City, Emporia, Great Bend, Liberal, and Kansas City. **Appendix B** provides more information on how we selected them. We then compared Garden City's expenditures on a per-student

basis to its peer districts in several spending areas to identify potential outliers.

That comparison is shown in **Figure 1-1** on the next page. As the figure shows, Garden City's expenditures were generally similar to its peers, with the exception of having lower administration costs.

We also compared the district to a national benchmark in one area.

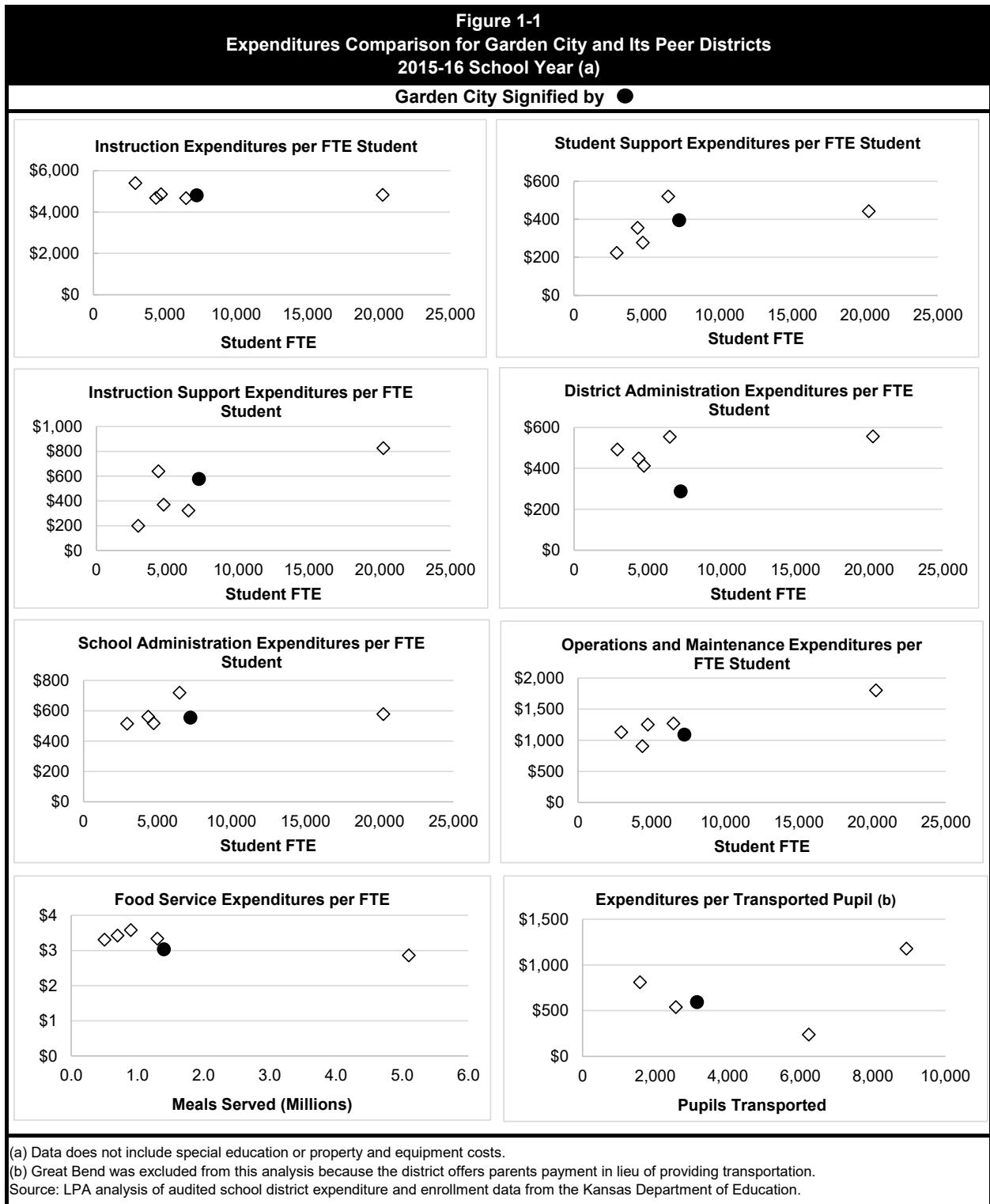
- **We surveyed Garden City district staff to identify potential inefficiencies.** The survey included both full-time and part-time staff. In total, we received 454 responses for a response rate of 38%. Of those who responded, 85% reported the district operated efficiently or very efficiently. However, staff expressed concerns about the district's energy efficiency and excessive staffing.
- **We interviewed Garden City school district officials and staff and toured school buildings to better understand and observe district operations.**
- **We interviewed officials in other Kansas school districts to understand how those districts operate and to compare their practices to Garden City.**
- **We also consulted with an experienced Kansas public school administrator who provided feedback on the feasibility and impact of our potential cost savings options.**

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

- **Options that would have little to no impact on students or the community and should be implemented.** Some of these options may affect students' daily routines, but will have little effect on students' instructional experience. For example, offering district cell phones to certain staff rather than paying a stipend would save the district money but 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, however, we did not identify any options in this category.
- **Options that could have significant impact on students or the community, but should be considered.** These options could potentially yield significant savings, but likely will also affect student instruction or the community in significant ways. For example, closing an elementary school could negatively affect students, their families, and the community.

We talked with district officials to get their input about the feasibility and consequences of implementing each savings option. In some cases, officials raised concerns about the effect our options might have on the students, the district, or the community.

We assessed their concerns and adjusted our findings when appropriate. In other cases, we either disagreed with their concerns or were not able to fully assess their impact. However, we have tried to summarize these concerns and have included them in this report.



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

The options presented in this section likely would have little to no impact on students or the community. For example, providing a district-owned cell phone to staff instead of paying a stipend would not affect students’ educational experience.

Figure 1-2 summarizes the cost savings and revenue enhancements in this category. As the figure shows, the district could achieve between \$1.2 million and \$1.6 million in annual savings and up to \$303,800 in additional one-time or ongoing revenue if it implemented all options.

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

Figure 1-2 Summary of Estimated Cost Savings or Revenue Generating Options for the Garden City School District With Little to No Impact on Students or the Community			
Option	Estimated Annual Cost Savings/ Increased Revenues	School District Officials' Concerns	LPA Assessment of District Officials' Concerns
Take Comprehensive Actions to Reduce Energy Costs	Up to \$390,000	<ul style="list-style-type: none"> It is difficult to find the funds to finance infrastructure upgrades. 	<ul style="list-style-type: none"> This is a legitimate concern although the district could pursue other options such as energy performance contracts.
Reduce 8.5 FTE IT Support Positions	\$270,000 - \$330,000	<ul style="list-style-type: none"> Customer service would be negatively impacted due to the reduced staff. The district hopes to expand their One-to-One initiative in the future which may require more staff. 	<ul style="list-style-type: none"> This is a legitimate concern, but phasing in the reductions and re-organizing the department could potentially mitigate these issues. Peer districts that have One-to-One initiatives in more grades are able to operate with fewer staff.
Reduce Several Custodial Positions	\$260,000 - \$470,000	<ul style="list-style-type: none"> Staff reductions could make it more difficult to keep buildings clean. 	<ul style="list-style-type: none"> Our suggested custodial staffing reductions are in line with a national benchmark.
Reduce 7 Elementary School Clerical Positions	\$175,000 - \$215,000	<ul style="list-style-type: none"> Staff reductions could affect the district's ability to maintain office coverage and lunch room coverage. 	<ul style="list-style-type: none"> Hiring a full-time position for quarter-time responsibilities is inefficient. The district could hire additional hourly lunch room staff if it needs help in the lunch room.
Reduce the District's Leave Buy-Back Payment OR Eliminate the District's Leave Buy-Back Policy	\$30,000 - \$35,000 \$80,000 - \$100,000	<ul style="list-style-type: none"> The current buy-back policy helps retain and recruit staff and to reduce absenteeism. This policy is included in the teachers' negotiated agreement and would be difficult to reduce or eliminate for those staff. 	<ul style="list-style-type: none"> On average only about 13% of the district's total staff receive a payment each year. Further the payment is only about \$660 on average. It seems unlikely that a small benefit available to a small number of people is very effective. Additionally, limited evidence from previous audits have found that the presence of a buy-back policy does not appear to influence absenteeism. This is a potential barrier for implementing this option.
Reduce Cell Phone Stipends OR Offer District-Owned Cell Phones	\$25,000 - \$30,000 \$50,000 - \$60,000	<ul style="list-style-type: none"> Offering district-owned phones would increase the administrative time to track and monitor district cell phones. A reduced stipend would not cover the cost of a typical cell phone bill. 	<ul style="list-style-type: none"> None
Sell a Building the District Currently Uses for Storage	up to \$4,400 in savings, \$3,800 in on-going revenue, up to \$300,000 in one-time revenues	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None
Reimburse Staff for Actual Mileage Rather Than Provide a Monthly Stipend	Up to \$30,000	<ul style="list-style-type: none"> Reimbursing for actual mileage would increase the administrative burden by requiring staff to log actual mileage. 	<ul style="list-style-type: none"> This is a legitimate concern, but using electronic forms or reimbursing on a quarterly basis for small payments could reduce that time.
Total District Savings	\$1.2 million - \$1.6 million		
Total District Revenue	\$303,800		

Source: LPA analysis of the audited district and Kansas Department of Education data and interviews with district officials.

The District Could Potentially Save Up to \$390,000 Annually by Implementing Various Energy Saving Strategies

In the 2015-16 school year, the district spent nearly \$2 million on electricity and natural gas costs to power, heat, and cool the district's 1.5 million square feet across its 21 buildings. Within the operations and maintenance function, energy costs were the second largest single expense for the district (staff salaries were the largest expenditure).

The district's electric and natural gas costs were high compared to its peer districts and its own internal goals. We compared the district's energy costs (electricity and natural gas) to peer districts on a per-building and a per-student basis. We also interviewed district officials to understand their own energy cost goals. Based on that work we found:

- **Garden City's energy costs were 29% higher than its peers on a per-student basis.** Garden City's per-student energy costs were \$270 compared to the peer average of \$209. Further, Garden City had higher per-student costs than all five of its peers, whose costs ranged from \$163 to \$268 per student.
- **On average, Garden City spent \$115,000 per building on energy costs, compared to the peer average of \$93,000.** Garden City's building costs exceeded its peers even though the average age of the buildings was similar (44 years in Garden City compared to 53 years in the peer districts).
- **The district's energy costs are currently 24% higher than its own internal goals.** District officials told us they thought they could reduce their energy costs to \$1.00 per square foot. However, the district's costs are currently \$1.24 per square foot.

The district could implement several monitoring and behavioral actions to reduce its energy costs by up to \$390,000 annually. We identified several best practices from the U.S. Environmental Protection Agency and other organizations that the district has not yet implemented. For example, the district could track its energy performance on a monthly basis, educate its students and staff on energy conservation, and automate its lighting or other equipment to turn off when not in use.

Two other large districts we audited (Maize and Auburn-Washburn) reported taking many of these same steps to improve energy efficiency. These districts' energy costs were about 15% to 20% lower than Garden City's current \$1.24 per square foot. Garden City's facilities director (who is new to the district but has experience with reducing energy costs in other districts) told us he thought the district could potentially reduce utility costs by 20% through behavioral changes (our research indicated this was a reasonable estimate). If the district achieved that kind of reduction

in costs, it would save about \$390,000 annually, and its utility costs would be similar to the costs in the peer districts.

The district has aging utility and lighting systems, but upgrading those systems would require a significant capital investment. Because the district's infrastructure is aging, officials recently contracted with Trane to assess what infrastructure upgrades the district needs. Trane estimated it would cost between \$6 million and \$21 million to upgrade old equipment, depending on how many upgrades the district wanted to make. For the \$6 million option, Trane estimated the district could save up to \$450,000 annually by making upgrades, but those savings would initially be used to pay off the cost of the upgrades. As a result, the district would potentially not see those savings for many years. However, district officials thought Trane's savings estimates were aggressive and expressed concern about the likelihood of saving that much money.

District officials agreed that the district should take steps to reduce energy costs, but had concerns about how to finance any infrastructure upgrades. District officials told us they know they can be more energy efficient and are not opposed to implementing the monitoring and behavioral strategies. Further, although they do not want to issue bonds to finance equipment upgrades, they would consider energy savings performance contracts. These contracts use the savings that are generated from more efficient equipment to pay for the cost of the new equipment. Last, officials told us the current funding uncertainties make it difficult for the district to make long-range plans.

The District Could Save About \$270,000 to \$330,000 Annually by Reducing Information Technology Positions

The district currently employs about 25 FTE information technology (IT) staff who provide IT services to about 7,700 students and 1,045 FTE staff. Those staff are responsible for a variety of tasks including maintaining the district's networks, fixing broken computers, and troubleshooting technology problems in the classroom.

Garden City has significantly more IT staff than its peer districts. We compared Garden City's IT staffing level to four of the district's five peer districts: Dodge City, Emporia, Great Bend, and Liberal. We excluded Kansas City from this analysis because it is much larger than Garden City (more than 20,000 students), which potentially makes its IT operations significantly different than Garden City's. We found Garden City had more IT staff than four peer districts based on three different measures:

- **Garden City has about 36% more IT staff than its peers on a per-student basis.** It has 3.3 IT staff for every 1,000 students, compared to an average of 2.5 IT staff in the peer districts.
- **Garden City has 48% more IT staff than peers on a per-employee basis.** It has 2.5 IT staff for every 100 staff, compared to an average of 1.7 IT staff in the peer districts.
- **Garden City has 35% more IT staff than peers than its peers on a per-building basis.** It has 1.5 IT staff per building, compared to an average 1.1 IT staff in the peer districts.

Additionally, we found many of the district's IT staff spend up to 15% of their time performing non-IT tasks, such as assisting in the lunch room, library, or supervising recess. This is an inefficient use of specialized staff and a further indicator the district's IT department is overstaffed.

We considered several possible factors, including the district's One-to-One initiative and potential differences in job responsibilities across districts, but none of these sufficiently explained why Garden City has more IT staff than its peers.

The district has implemented a One-to-One initiative at the high school, where it issues a laptop or tablet to each student. We considered whether this initiative might account for the district's increased IT staffing. However, we contacted two peer districts that also had a One-to-One initiative, and both had fewer IT staff than Garden City on a per-student basis. We also checked with peer districts and confirmed the IT staff performed similar IT repair and maintenance work as Garden City. Finally, we evaluated whether differences in the standard equipment staff and students used, such as computers and printers, might explain some of the differences in IT staffing. The devices students and teachers used were generally similar to the devices peer districts used, although Garden City provides more devices to its administrators (desktops, laptops, and iPads) than its peer districts.

By centralizing its IT staff, Garden City could reduce up to 8.5 FTE positions and save between \$270,000 and \$330,000 annually.

Although this is a significant reduction in IT staff, other districts are able to operate at lower staffing levels, likely because they use a centralized staffing model and do not assign IT staff to specific buildings. In these districts, IT staff travel to specific schools only when needed. Conversely, Garden City has a hybrid model of staffing that includes assigning some IT staff to specific buildings while also maintaining central IT staff to help wherever they are needed. This is consistent with findings in prior school efficiency audits where districts with hybrid models typically had more staff than those using fully centralized staffing models.

In calculating these savings, we assumed the district would still need staff to complete the non-IT tasks that IT staff currently are responsible for. As such, we offset the potential costs of additional staff when we calculated savings associated with reducing IT staffing.

If the district reduced IT staffing by 8.5 FTE, the state would also save about \$30,000 annually in KPERS payments.

District officials were primarily concerned that reducing its IT staff would negatively affect their ability to provide timely customer service. Officials thought having fewer IT staff and not having IT staff available in each school would make it take longer to resolve technology issues, such as repairing a broken computer or troubleshooting a software issue. Additionally, district officials said they may expand the district's One-to-One initiative to include the middle schools, which would require staff to manage more devices.

The District Could Save Between \$260,000 and \$470,000 Annually by Eliminating Several Custodial Positions

Currently, the Garden City school district has about 1.5 million square feet of building space. The district employs 71.5 FTE custodial staff to clean the district's 21 buildings (18 school buildings, one administration building and two service buildings). In the 2016-17 school year, the district expects to spend about \$2.8 million in salaries and benefits for these custodial staff.

Garden City's custodial staffing levels are high compared to a national benchmark. We used benchmarks found in a 2003 national study sponsored by the National Center for Education Statistics (NCES). The guide provides practical recommendations for school facility maintenance planning and includes benchmarks for how much space a custodian should be able to clean based on the level of cleanliness needed for the space. The NCES guide suggests that each custodian can clean most types of school facilities at a rate of 28,000 square feet each day. At this rate, staff should be able to maintain a level of cleanliness that is standard for school districts and does not pose any health issues. However, Garden City achieves about 85% of the benchmark rate per day (about 24,000 square feet per custodial FTE).

The district could save between \$260,000 and \$470,000 by bringing its custodial staffing in line with a national benchmark. If custodial staff cleaned at the benchmark rate, the district could reduce 11 FTE positions and save an estimated \$385,000 to \$470,000 in salary and benefits.

Additionally, we modified the benchmark to acknowledge that some areas of a school may need more intensive cleaning, like bathrooms and kindergarten classrooms. It was unclear if the NCES benchmark accounted for higher standards in these areas. Using a modified benchmark of 25,700 square feet per custodian, Garden City could reduce 7.5 FTE custodial positions, for potential savings between \$260,000 to \$320,000 annually.

Reducing custodial staff also would save the state approximately \$25,000 to \$40,000 annually in Kansas Public Employees Retirement System (KPERs) payments. This is because the state, rather than the district, pays the employer share of KPERs

District officials were concerned that reducing custodial positions would make it more difficult to keep buildings clean.

District officials thought it would be more difficult to maintain their cleanliness standards with fewer custodial staff. Additionally, officials were concerned that evening activities at the high school sometimes required more staff. Despite these limitations, district officials were willing to review custodial staffing levels and consider changes.

The District Could Save Between \$175,000 and \$215,000 Annually by Eliminating Several Elementary School Clerical Positions

The district currently has 20 clerical positions for its 11 elementary schools. These staff provide administrative support services to about 3,100 students and about 300 teachers, including answering the phones, taking payments, managing entry into school buildings, and sometimes administering medication to students.

The district has more elementary clerical positions than three peer districts that appeared to operate more efficiently. We compared Garden City's elementary clerical staffing level to three peers, Emporia, Liberal, and Great Bend. We selected these peers because our preliminary work indicated they operate efficiently in this area. We found Garden City has more elementary clerical positions than these peers based on three different measures:

- **Garden City has about 65% more clerical staff than its peers on a per-student basis.** Garden City has 6.4 elementary school clerical staff for every 1,000 students, compared to an average of 3.9 staff in the peer districts.
- **Garden City also has about 56% more clerical staff than its peers on a per-teacher basis.** Garden City has 7.2 elementary school clerical staff for every 100 elementary teachers, compared to an average 4.6 staff in the peer districts.
- **Garden City has about 34% more clerical staff than its peers per elementary school.** Garden City has 1.6 clerical staff per

elementary school, compared to an average of 1.2 staff in the peer districts.

The district places two clerical staff in most elementary buildings to assist in the lunch room, which contributes to its high staffing. District officials told us they place two clerical staff in most of their elementary buildings because the second staff person helps with food service for two hours each day. Having two positions in most of the elementary buildings allows each building's front desk to be staffed at all times, even during the lunch period. However, the district's peers typically staff each elementary building with just one clerical position and staff the lunch room separately.

Reducing seven elementary clerical positions would bring the district in line with its peer districts, and could save between \$175,000 and \$215,000 annually. If the district had clerical staff similar to its peers on a per-student basis or a per-building basis, it could reduce seven elementary clerical positions. This staffing arrangement would leave one clerical position in each elementary school building except for the district's two largest elementary schools which would have two (this is similar to how all three of the district's peers staff their elementary schools). With this reduction, the district would have 4.2 clerical staff per 1,000 students, which is similar to its peer average of 3.9 per 1,000 students.

Reducing seven elementary school clerical positions would save between \$175,000 and \$215,000 a year. In calculating these savings, we assumed the district would still need additional help in the lunch room. As such, we offset the potential costs of additional food service staff when we calculated savings associated with reducing elementary clerical staffing. In addition, if the district reduced seven elementary clerical positions it would also save the state about \$18,000 annually in KPERS funding.

District officials were concerned about how to both staff the lunch room and maintain office coverage. The district generally has two clerical positions in each elementary school, one who spends about two hours a day helping in the lunch room. District officials were concerned they could not provide adequate office coverage during those hours with just one position. However, hiring a full-time clerical position to cover two hours a day in the lunch room is an inefficient use of staffing resources. The district has other less expensive options, including hiring additional lunch room staff (who are typically paid on an hourly basis) rather than adding an additional full-time office position.

The District Could Save \$30,000 to \$100,000 Annually by Reducing or Eliminating Its Sick-Leave Buy-Back Policy

The Garden City school district buys back unused sick leave from staff who accumulate leave over a certain threshold. At the end of each school year, the district will buy back any sick leave days staff have accumulated over 70 total days (staff cannot accumulate more than 100 days). The district will buy back up to 15 days each year. The rate paid depends on the type of employee. Classified staff (e.g. custodians and para-professionals) receive \$79 per day, certified staff (e.g. teachers, principals, and nurses) receive \$105 per day, and administrators (e.g. superintendent and department directors) receive \$130 per day.

The district's buy-back policy only covers sick leave. Under a separate policy, the district also makes payments for accumulated vacation time when an employee leaves the district. Because this type of arrangement is common among employers—including the State of Kansas—we did not include the district's vacation payout policy in our analysis.

Paying staff for unused leave is not a standard policy in peer districts, and the district would save between \$80,000 and \$100,000 annually if it were eliminated. We contacted five peer districts and only one offered a similar leave buy-back program. This is consistent with previous audits, where we have found few districts that offer this payment. On average, Garden City makes total payments of approximately \$90,000 annually. If the district ended this policy, it could save the total amount it currently spends on this benefit.

Alternatively, the district could reduce the buy-back payment to be more in line with the few districts that have a similar policy and save between \$30,000 and \$35,000 annually.

Although somewhat uncommon, some districts offer this benefit. One of Garden City's peer districts (Great Bend) and two other districts for which we had information from previous audits (Maize and Andover) offer the benefit. However, these districts offer this benefit at a much lower rate, with an average buy back rate of \$63 per day (less than what Garden City currently pays for all three types of staff). If Garden City reduced its buy-back rate to \$63 per day, it could save between \$30,000 and \$35,000 per year.

Although it may not be possible to eliminate the leave buy-back payments for teachers, eliminating the payments for non-teaching staff could save between \$35,000 and \$45,000 a year.

The buy-back policy is part of the negotiated agreement for teachers which makes it difficult to eliminate. Even if teachers agreed to eliminate this payment, it is likely they would exchange this benefit for another one. However, the district could unilaterally eliminate the benefit for non-teaching staff. On

average, about 35% of the staff who receive buy-back payments each year are non-teaching staff. Eliminating these payments would result in possible savings of about \$35,000 to \$45,000 annually.

District officials contend the policy helps recruit and retain staff, as well as reduces absenteeism, though we have concerns about its effectiveness. Officials told us the policy provides an additional benefit that is important in recruiting and retention, but had not studied it and could not say how cost effective it was. Further, only a small number of staff qualify for the payment each year, limiting its effectiveness as a retention tool. On average, only about 13% of the district's total staff receive a payment each year, and it could take up to seven years before an individual can accrue enough leave to qualify for the payment. Additionally, staff who regularly use their leave may never accumulate enough days to qualify for the payment at all. Finally, in previous audits we have conducted some limited work to evaluate whether leave buy-back policies influence the number of absences in a district and found they appear to have little effect on the number of teacher absences.

The District Could Save Between \$25,000 and \$60,000 Annually by Changing its Policies on Cell Phones

It is common for school districts to require certain staff (typically administrators or bus drivers) to be available by cell phone at all times. Some districts either provide a district-owned cell phone or offer a stipend to employees who use their personal phone for district business. The stipend is designed to partially offset the cost of the employee's personal cell phone usage for district business. Garden City uses the stipend option.

The district provides about \$66,000 a year in cell phone stipends for some staff. Currently, the district offers stipends of \$20 to \$150 (most are \$40 or \$80) per month to 91 staff including administrators, IT technicians, teachers, and other staff. The district has a process that allows an employee's supervisor to request the stipend, and then a group of administrators approve or deny the requests. These individuals use their personal cell phones for district work such as answering work-related emails or phone calls and are paid the monthly stipend to help offset the cost. The stipend amount is determined by whether staff only needs to be available by phone or by phone and email.

The district could save between \$25,000 and \$30,000 annually by reducing the stipend to the same amount it would cost to provide a cell phone. Most of the cell phone stipends are for \$40 a month (phone only) or \$80 a month (phone and email). The district has the option of providing phones using the state's current

contract with AT&T for \$23 a month (phone only) or \$49 a month (phone and email). This cost includes the monthly cost of the cell service, the cost of the phone, fees, and replacement costs. Reducing the stipends to these levels would save the district about \$25,000 to \$30,000 a year.

Alternatively, the district could save between \$50,000 and \$60,000 annually by eliminating the stipend and only offering district-owned cell phones. This will save the district money for two reasons. First, it is less expensive to provide a phone (the state's current contract offers phones from \$23 to \$49 per month) than it is to pay a stipend (currently mostly \$40 or \$80 per month). Second, it is likely that many staff will not want to carry two cell phones (the district phone they use for work and their personal cell phone). The district would save additional money for every employee who turns down the district-provided cell phone and opts to use their personal phone for any district business. Our savings estimate assumes 75% of the individuals who currently receive a stipend will not accept a district-provided cell phone, for a potential savings of \$50,000 to \$60,000. However, even in the unlikely situation where everyone currently receiving a stipend accepts a phone from the district, the district would still save about \$25,000 annually.

District officials had concerns about both options. They were concerned about the administrative time to account for district-owned phones and monitor their use. District officials were also concerned that a reduced stipend amount would not fully cover the cost of a personal cell phone.

The District Could Generate One-Time Revenue of About \$300,000 and Up to \$8,000 Annually in Ongoing Savings and Revenues by Selling a Commercial Building it Uses for Storage

The district owns a commercial building that it uses to stockpile many old or unused items which could be sold, scrapped, or moved. The district currently has three storage locations. They include a closed school building 20 miles from the city limits, a portion of an open school building, and a commercial building. We toured two of the facilities and had district officials provide us with pictures from the third location. **Figure 1-3**, on the next page, shows the commercial building and several pictures of unused items the district stores in it. As the figure shows, the items include bicycles, chairs, and excess building materials, which could be sold, scrapped or moved to another location.

If the district sold, scrapped, or relocated the items in the commercial building, the building could be sold for a one-time revenue of about \$300,000. The 12,000-square-foot building was originally a retail store and sits on 1.3 acres of land. The building appears to be in good condition with available parking, in a

commercial area of Garden City near a busy intersection, and is surrounded by a number of businesses. The building likely could be sold, potentially generating approximately \$300,000 in one-time revenues (the amount of the building's most recent appraisal).

Figure 1-3
Items in Storage at One of the District's Storage Locations



Source: Photo of building is from Google Maps. All other photos taken by LPA staff.

Selling the building would also generate a small amount of on-going savings and revenues for the district. Those savings and revenues include:

- **The district could save about \$4,400 in annual utility and insurance costs.** The district would also reduce its liability for maintenance, damage, or accidents if it sold the building.

- **The district could generate an estimated \$3,800 in annual tax revenues by returning the building to the tax rolls.** Buildings owned by government entities (like school districts) are exempt from paying property tax. If the district sold the building to a non-governmental buyer, the new owner would pay property taxes. The district would receive about \$3,800 of these property taxes, though a significant share would be passed on to the state as part of the state-mandated 20-mil tax levy.

The district may also be able to generate some additional revenues by selling unused items. Because the district has a lot of storage space, it tends to store items rather than sell, scrap, or dispose of them. Additionally, district officials told us no one is responsible for managing and monitoring stored items, which is likely contributing to this issue. While many of the unneeded items in storage are probably of little value, the district could sell or scrap as much as possible to generate a small amount of additional revenue and reduce the amount of storage the district needs.

District officials agreed that the building and many of the unused items could be sold.

The District Could Save Money by Paying Actual Mileage for In-District Travel Rather Than a Flat Stipend

The district spends about \$91,000 annually in mileage stipends to 65 employees for in-district travel. Garden City pays a monthly mileage stipend to certain employees who use their personal vehicle to drive between district school buildings as part of their job responsibilities. This includes 65 employees such as principals, administrators, special education teachers, and IT staff. The stipend is typically \$100 per month and is paid for 10 to 12 months, depending on the employee's contract. However, a few administrators (such as the superintendent and facilities director) receive much larger stipends of \$300 to \$600 month. The monthly amount is paid to the employee regardless of how many miles the individual actually travels each month. Finally, the stipend does not include reimbursement for any out-of-district travel (e.g., for a training conference) because the district typically requires staff to use a district car when travelling out of the district.

Of the three peers we contacted, two paid actual mileage for in-district travel, while the other paid a stipend like Garden City. We contacted three of Garden City's closest peer districts (Dodge City, Liberal, and Great Bend) to determine how they reimbursed staff for in-district travel. Liberal and Great Bend did not offer stipends, but instead pay staff for in-district travel based on actual mileage.

On the other hand, Dodge City paid a stipend, though it was available to far fewer employees. Only nine staff were eligible for the stipend (mostly district administrators), as compared to 65 at Garden City. Dodge City's stipend amount for the nine eligible employees ranged from \$50 to \$300 per month. All other staff in that district are reimbursed based on actual mileage.

Although our data was limited, it appears Garden City could reduce costs by paying for actual mileage rather than a stipend. Because the district pays a stipend regardless of how many miles an employee travels, it does not maintain any in-district mileage data. To evaluate the potential savings from reimbursing on a mileage basis, we asked 40 district employees who currently receive a stipend to estimate how many miles they typically travel within the district for work purposes each week. Sixteen employees responded to our request. For the sixteen individuals who submitted an estimate, we found:

- **The district would save money if it reimbursed for actual miles driven for 13 of the 16 individuals.** Several of those employees reported they drove only 4 to 20 miles per week but received a monthly stipend of \$100. For those individuals, the district was effectively paying them \$1.25 to \$6.25 per mile. The current mileage rate used by the U.S. Internal Revenue Service is \$0.535 per mile.
- **Conversely, the district is better off paying a stipend for 3 of the 16 respondents.** Two of these individuals are district administrators and the third is a district special education consultant. These three individuals reported they drove an average of almost 200 miles per week. Currently, the district is effectively paying them only \$0.16 to \$0.29 per mile.

Based on these limited and self-reported estimates, we calculated a net impact. We project the district could potentially save up to \$30,000 if it reimbursed for actual miles traveled rather than using the stipend option.

District officials were concerned about the increased administrative burden of tracking mileage. Tracking mileage likely would require increased administrative time. However, certain actions, such as having staff submit mileage on electronic forms or reimbursing only on a quarterly basis for those who receive small payments, could reduce that time.

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

Options in this category could have a moderate impact on students or the community. For example, reducing the number of assistant superintendents or consolidating low-enrollment courses could have some impact on students. However, we did not identify any options in this category.

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

The cost savings option in this section could have a significant impact on students, their families, or the community. The option we have in this category, closing an elementary school, would represent a significant change to students, parents, teachers, and the community.

Figure 1-4 summarizes the cost savings related to this option. As the figure shows, the district could achieve between \$180,000 and \$325,000 in annual savings if it closed an elementary school.

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

Figure 1-4 Summary of Estimated Cost Savings or Revenue Generating Options for the Garden City School District With a <u>Significant Impact</u> on Students or the Community			
Option	Annual Cost Savings/ Increased Revenues	School District Officials' Concerns	LPA Assessment of District Officials' Concerns
Close a Small Rural Elementary School (a)	\$180,000 - \$325,000	<ul style="list-style-type: none"> • Some families value the rural school concept and might transfer to other districts. • The community will be against it. • The district is slowly growing so it may not be advantageous to close a school. • Closure would likely require some re-organization of the district's elementary school boundaries. 	<ul style="list-style-type: none"> • This is a legitimate concern and our lower savings estimate accounts for this possibility. • The district will need to consider the preferences of the community when deciding whether to implement this option. • The district's growth is slow and is currently largely in the upper grades. Further, the district has recently increased the enrollment capacity of the district by building a new school. • The district likely will need to re-consider its school boundaries to accommodate Jennie Barker students into other schools.
Total District Savings	\$180,000 - \$325,000		

(a) This action would also save the state about \$25,000 in annual KPERS contributions.
 Source: LPA analysis of audited district and Kansas Department of Education data and interviews with district officials.

The District Could Save Between \$180,000 and \$325,000 Annually by Closing a Small Rural School and Having Those Students Attend Other Schools

Currently, the Garden City school district has 11 elementary schools (eight K-4 grade schools and three K-6 grade schools) and two intermediate schools (5th and 6th grades) for the district's 4,400 kindergarten through 6th grade students. Nine of the district's elementary schools and both intermediate schools are located within the city limits. The remaining two elementary schools are outside the city limits.

Because of two changes made in the 2012-13 school year, the district's elementary and middle schools have excess capacity. First, the district implemented school boundaries. This resulted in fewer students attending some schools than officials originally expected. Second, the district consolidated all pre-school students into a single location. They were previously spread out across several elementary schools. These two changes left many elementary schools with fewer students than they once had.

One of the district's rural elementary schools is only a few miles outside the city limits and has declining enrollment. Jennie Barker Elementary School is a K-6 grade school that is located three miles from the city limits. The boundary for this school encompasses a small part of Garden City and a large portion of a rural area to the north and east of the city. In the 2016-17 school year, the school had only 129 students which is 15% fewer than in 2011-12.

If the district closed Jennie Barker Elementary School it could save between \$265,000 and \$325,000 annually. The district could save about \$25,000 in utility and insurance costs. The rest of the savings result from staff positions that would no longer be needed. For example, the clerical, custodial, and IT positions associated with that building would no longer be needed because the schools that would absorb these students already have those types of staff. Because students currently in the Jennie Barker boundary area are likely to be dispersed among several schools, the small increases of students in those schools are unlikely to require additional support staff. However, we assumed all classroom teachers, special education teachers, and instructional coaches would be re-assigned to other schools. Officials reported the district is experiencing a teacher shortage so it seems unlikely it would eliminate these positions.

The other elementary schools and the intermediate schools have enough capacity to absorb the Jennie Barker students. We examined school enrollment trends, toured several schools, and talked to school staff in the district to determine whether the schools within the city limits could accommodate the 129 students who currently attend Jennie Barker Elementary School. We did

not attempt to determine which specific school each student would attend. We only determined whether those existing schools had enough overall capacity to accommodate 129 more students. When assessing the district's capacity, we found the following:

- **We identified excess capacity in four elementary schools in the city limits to accommodate Jennie Barker's 95 kindergarten through 4th grade students.** *Figure 1-5* on page 28 shows enrollment trends at the district's elementary schools over the last five years. As the figure shows, four elementary schools have at least 10% fewer students now than they had in the 2011-12 school year. Altogether, those schools have 307 fewer students. Additionally, staff at one of those schools told us they had capacity for 70 more students and could potentially convert three rooms back to regular classrooms (they are currently used as offices or art rooms). We also identified a number of rooms that could be converted back to regular classrooms in other buildings we toured.
- **We identified excess capacity at both of the district's intermediate schools to accommodate Jennie Barker's 34 5th and 6th grade students.** As shown in *Figure 1-5*, Bernadine Sitts Intermediate Center currently has about 480 students, about 90 fewer students than it had in 2011-12, and 155 fewer students than it had when it opened in 1997. Additionally, the district's other intermediate school, Charles O. Stones, also has about 30 fewer students now than it had in 2011-12.

However, if the closure of the Jennie Barker school caused students to leave the district, the district would realize smaller savings. District officials were concerned as many as 10% of the school's students would leave the district if the school were closed. Officials told us many of the parents of students who attend Jennie Barker value the more rural setting the school provides for their children. As a result, officials worried that parents would transfer their children to one of the smaller nearby districts instead. If 10% of the Jennie Barker students transferred, the district could lose about \$92,000 in state and local funding, which would reduce the net savings of the school closure to \$180,000 to \$220,000 annually.

It is important to note that under the state's current funding formula (also known as the "block grant") a district's funding does not change when it loses students. However, this formula is scheduled to sunset at the end of the current school year. Our estimate of the potential funding losses assumes the Legislature adopts a new funding formula that bases funding on the number of students who attend the district (much like the formula that preceded the current block grants). If the Legislature adopts a different type of funding formula, our estimate of the potential funding losses would likely be incorrect.

**Figure 1-5
Student Headcount Trends in
Garden City Elementary and Intermediate Schools**

School Name	# students (2011-12)	# students (2016-17)	# Change	% Change
Elementary Schools <u>Inside</u> City Limits				
Georgia Matthews	308	166	(142)	(46.1%)
Florence Wilson	458	377	(81)	(17.7%)
Buffalo Jones	331	291	(40)	(12.1%)
Abe Hubert	395	351	(44)	(11.1%)
Gertrude Walker	292	267	(25)	(8.6%)
Alta Brown	402	390	(12)	(3.0%)
Victor Ornelas	432	439	7	1.6%
Edith Scheuerman	229	240	11	4.8%
Jennie Wilson	207	241	34	16.4%
Total (a)	3,054	2,762	(292)	(9.6%)
Elementary Schools <u>Outside</u> of City Limits				
Jennie Barker	151	129	(22)	(14.6%)
Plymell	147	146	(1)	(0.7%)
Total	298	275	(23)	(7.7%)
Intermediate Schools				
Bernadine Sitts	571	482	(89)	(15.6%)
Charles O. Stones	489	460	(29)	(5.9%)
Total (a)	1,060	942	(118)	(11.1%)
<p>(a) The reduction in the number of students in the district's elementary schools is largely the product of consolidating the district's pre-school students from the elementary schools to one early childhood education center. It does not appear to be related to a decrease in the number of elementary age students in the district. However, the reduction in number of intermediate students does appear to reflect a declining number of intermediate school students in the district. Source: Analysis of Kansas Department of Education headcount data.</p>				

District officials were primarily concerned that closing a building would cause students to leave the district, but also had other concerns. Additional concerns included a lack of community support for closing Jennie Barker, and small but consistent growth in the overall enrollment for the district (about 2% over the last five years). They also told us closing Jennie Barker would likely require some school boundaries to be reorganized.

District officials agreed that if the school closed the transportation costs likely would be similar to what they are today. That is because most of the students who attend Jennie Barker are already bused to the school and the students would likely continue to need transportation although to a different school.

Finally, the district also has a second slightly larger rural elementary school (Plymell) located about 11 miles from Garden City that we did not think was feasible to close at this time. This is primarily because that school has not seen the same kind of declining enrollment as Jennie Barker Elementary School. Additionally, the average bus ride for the students attending Plymell Elementary School is about 30 minutes, which potentially would result in a 45 to 50-minute bus ride for many students if they had to attend an elementary school within the city limits.

OTHER FINDINGS

The District Lacks Comprehensive Policies and Procedures to Adequately Protect its Assets

Best practices recommend that organizations have adequate policies and procedures to protect their assets, such as keeping and updating inventories of valuable items to prevent theft and avoid purchasing duplicate equipment, or establishing cash handling processes.

The district lacks complete written policies and procedures that govern cash handling and some purchasing cards. Best practices recommend the district have written policies and procedures that describe how a district operates in these areas. For example, policies should clarify who is responsible for various tasks and when the task should be completed. District officials told us they have started documenting their policies but have not yet completed it. Further, the district lacks policies and procedures for the purchasing cards issued to departments or the district (current policies do include guidance for purchasing cards issued to individuals). The lack of written policies and procedures in these areas can lead to miscommunication, inconsistency, and disruption if key staff leave the district.

The district does not adequately keep track of its physical assets and procurement cards. Best practices recommend the district have inventories for its valuable assets. However, the district does not have two types of inventories we would expect:

- **The district does not maintain an inventory of its non-IT physical assets.** This includes items such as desks, tools, or vehicles. Best practices recommend the district maintain an inventory with information about where the item is kept and its value. Although the district had such an inventory in the past, it currently does not maintain one. District officials told us they have the software (the district has a module in its Skyward accounting software) to compile and maintain an inventory, but have not dedicated the necessary time to keeping it up-to-date. Not tracking its valuable assets increases the risk of theft because employees know no one is keeping track of the assets and likely would not know

if they were missing. Further, it puts the district at risk of overspending because it does not know what items it already has. Finally, the lack of an inventory also makes strategic planning more difficult because the district may not know how old its equipment is and when it should be replaced.

- **The district does not maintain an inventory of its purchasing cards.** Best practices recommend maintaining an inventory of the district's purchasing cards including information such as who is authorized to have a card and what its credit limits are. Currently, the district has about 500 purchasing cards that are issued in the name of individual employees but mostly held in the custody of school clerical staff or other school personnel. However, the district's central accounting staff do not maintain an up-to-date inventory of who is authorized to have a card. The district's lack of a purchasing card inventory puts the district at greater risk of fraud and misuse. The district described their process for authorizing purchasing card use which may reduce some risk associated with not having an inventory, however we were not able to test this process.

Recommendations for School 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. Reduce the district's energy costs by taking the following actions:
 - a. develop and implement a plan to reduce and monitor energy usage including tracking monthly energy usage, reviewing bills, and educating staff and students on energy conservation (p. 13), and
 - b. consider strategies for financing the replacement of aging HVAC and lighting systems (p. 14).
3. Develop and implement a plan to reduce the district's IT positions to better align with its peers (p. 14).
4. Develop and implement a plan to reduce the district's custodial positions to better align with the NCES benchmark (p. 16).
5. Develop and implement a plan to reduce the district's clerical positions in its elementary schools to better align with its peers (p. 17).
6. Reduce costs associated with the district's leave buy-back policy by taking the following actions:
 - a. propose to end the district's policy of buying back leave or propose a reduction to the daily buy-back rate during the next period of teacher negotiations (p. 19), and
 - b. develop and implement a plan to end the district's policy of buying back leave or implement a plan to reduce the daily buy-back rate for administrators and classified staff (p. 19).
7. Reduce its cell phone costs by taking one of the following actions:
 - a. reduce the amount of the cell phone stipend to match the cost of providing a district-issued phone (p. 20).

- b. eliminate the cell phone stipend and only provide district-issued cell phones (p. 21).
8. Address the district's excess storage space and accumulation of unused items by taking the following actions:
 - a. develop and implement a plan to sell the commercial building the district currently uses for storage (p. 21), and
 - b. develop and implement a process by which unused items are disposed of in a timely manner (p. 23).
9. Reduce its in-district travel costs by taking one of the following actions:
 - a. reimburse in-district travel based on actual mileage (p. 23).
 - b. reduce the in-district travel stipend to better reflect how many miles staff actually drive on a monthly basis (p. 23).

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

10. Consider closing the Jennie Barker Elementary School and relocating the students to other elementary and intermediate schools (p. 26).

To address the inventory and other policy issues we identified the district should implement the following actions:

11. Create written policies and procedures for cash handling and fixed assets (p. 29).
12. Update existing policies and procedures for procurement cards (p. 29).
13. Train staff in the use of the Skyward module for fixed assets and begin using the module to track fixed assets (p. 29).
14. Create a master list of procurement cards that includes information such as the cardholder and transaction limits. Then, update and reconcile the list at least annually (p. 30).
15. Implement the recommendations related to IT security as described in the confidential management letter.

***Recommendations for
KSDE Action***

1. To assist school districts in adopting stronger policies and procedures to protect their assets, the Kansas Department of Education (KSDE) should work with other education organizations such as the Kansas Association of School Boards (KASB) or the Kansas Association of School Business Officials (KASBO) to develop model policies and procedures in key accounting areas such as cash handling, asset inventories, procurement cards, and separation of duties.

APPENDIX A Agency Response

On April 5, 2017, we provided copies of the draft audit report to the Garden City school district and the Kansas Department of Education. Their responses are included as this Appendix. Following each agency's written response is a table listing their specific implementation plan for each recommendation.

Kansas Department of Education

The Kansas Department of Education generally concurred with the report's findings and will implement the one recommendation directed toward them. The department also included supplemental materials showing what guidance materials they have available on their website. We have not included that information in this appendix, but it is available upon request.

Garden City School District

The Garden City school district disagreed with many of the draft report's findings and recommendations. After receiving additional information from the district we made slight changes to our findings regarding custodial staff, IT staff and the savings associated with closing one elementary school. The district does not plan to implement most of the report's recommendations, as noted in full in table listing each recommendation. The district also included supplemental materials showing their analyses. We have not included that information in this appendix, but it is available upon request. A summary of the district's concerns with each recommendation are described below, as well as a notation of any changes we made in response.

- **The district indicated it will post the audit to its website, implement a plan to reduce and monitor energy usage, and consider strategies to finance long-range facility maintenance (Recommendations 1, 2a and 2b).**
- **The district indicated it will not reduce any IT staff (Recommendation 3).** The district raised concerns regarding how we calculated full-time equivalent employees in our analysis. It also contended IT staff in consolidated model would require additional credentials and would therefore earn higher salaries than many current staff. Based on the district's feedback, we adjusted our analysis to account for both factors. In the end, we recommended the district reduce 8.5 FTE IT staff to be more in line with peer district staffing levels. District officials told us they will not reduce any IT staff because doing so would negatively affect the quality of support to students and staff.
- **The district indicated it will reduce one custodial position, rather than our recommendation of 11 positions (Recommendation 4).** The district raised concerns regarding our analysis, including how we calculated our adjusted benchmark and the functional amount of time custodians can do custodial work. Based on the district's feedback, we adjusted our analysis to account for both factors, though our changes to the functional time for custodians was not as extensive as the district had requested. In the end, we recommend the district reduce 7.5 to 11 FTE custodial staff to be more in line with peer district staffing levels. District officials told us they will reduce one custodial position, but not more because doing so would negatively affect the safety and health of students and staff.
- **The district indicated it will not reduce any clerical staff in its elementary schools (Recommendation 5).** Based on the district's own staffing analysis, officials contend administrative staffing at the elementary schools is in line with its peers. We reviewed the

district's analysis but chose not to make any to our finding. Officials told us they will not make any reductions to clerical staff because of the negative impact on health functions, safety and security.

- **The district indicated it will not reduce or eliminate its leave buy-back policy for teachers, administrators, or classified staff (Recommendations 6a and 6b).** Officials told us the district considers this an important benefit that it should be available to all staff, and therefore it will not make the recommended reductions.
- **The district indicated it will not reduce or eliminate stipends for cell phones (Recommendation 7a or 7b).** The district was concerned our analysis did not factor in all costs, such as the cost of the phones, fees, and replacement costs. We followed up with the vendor on the state contract and confirmed these costs are included in the figures cited in the report. We have changed our wording slightly to clarify this point. The district considers the stipend an important employee benefit and was concerned about administrative costs related to district-owned phones.
- **The district indicated it does plan to sell the commercial building and dispose of unused items (Recommendation 8a and 8b).**
- **The district indicated it will not reduce change its reimbursement process for in-district travel (Recommendation 9a or 9b).** The district considers the mileage stipend an important benefit in lieu of additional salary for employees. In the future, the district said it may consider switching from a flat stipend to the actual number of miles driven, but not at this time.
- **The district indicated it will not consider closing Jenny Barker Elementary School (Recommendation 10).** District officials conducted their own analysis and raised concerns with some assumptions and calculations regarding positions that would be eliminated. We changed our projected savings slightly because district feedback indicated we overstated the salary of a position. We agreed and reduced the overall savings amount accordingly. Officials told us they do not plan to consider closing the school because the district may need it in the future.
- **The district indicated it will consider or implement our recommendations regarding accounting policies, and inventories of both fixed assets and purchasing cards (Recommendations 11, 12, 13 and 14).**
- **The district indicated it was still in the process of reviewing our recommendations regarding IT security and had not determined whether it would implement them (Recommendation 15).**



April 19, 2017

Scott Frank
Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson St., Suite 1200
Topeka, Kansas 66612

Dear Mr. Frank:

The Board of Education, administration, and staff of Garden City Unified School District 457 has long been committed to providing quality education to our students and families while making efforts to operate as efficiently as possible. In that spirit, we were pleased to work with the team from Legislative Post Audit to review our operations in an attempt to find areas where the district could operate more efficiently. During this experience, Ms. Heidi Zimmerman and her entire team conducted the audit in a professional and courteous manner. We wish to extend our gratitude to the entire audit staff for their time and effort involved with this audit.

USD 457 has utilized several strategies to ensure the district operates efficiently. Perhaps the most significant strategy was Program Budgeting, a community driven process which was started in 1996. Every year each department was tasked with preparing budgets that identified cost reductions and each year there were departments that had to implement those reduced budgets. Departments that were funded at 100 percent of their prior year budget often had to reduce some services to meet operating needs due to inflation. During the 18 years this approach was used, departments reduced overall expenditures in 14 of the years. The reductions, by department, ranged from 4% - 30%. This process was done every year until 2013-14 when there was very little left to cut out at each department level. Beginning in 2014, the district approach to monitoring efficiency moved beyond the department level and became more strategic. Since that time the district has eliminated administrative, teaching, and school nursing positions. Also, since 2008, the district has managed to reconcile three mid-year state budget cuts resulting in associated cost reductions. The district also implemented an energy management program to reduce energy usage and utility costs. This program was found to be effective and was conducted from 2002 to 2006. It was discontinued when the estimated savings of the program no longer exceeded the costs to continue the program. USD 457 remains committed to providing a high quality education for Garden City students while efficiently utilizing the resources available.

We have carefully reviewed the preliminary report and plan to address your recommendations as follows:

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

The district will post a complete final draft of the Legislative Post Audit document on our website as soon as it has been provided to the district and is publicly released.

2. Reduce the district's energy costs by taking the following actions:

- a. Develop and implement a plan to reduce and monitor energy usage including tracking monthly energy usage, reviewing bills, and educating staff and students on energy conservation.**

USD 457 participated in an energy management program from 2002 through 2006. During that time, at a cost, the district contracted with a firm to assist with the program. As part of the program, the district hired an employee to serve as Energy Manager. By 2006, the savings from the program no longer justified the increased cost and the employee was transferred into a different role. USD 457 does believe the opportunity exists to reduce our utilities expenditures by 10 to 20 percent.

USD 457 does plan to begin implementing an energy management program during the 2017-18 school-year. The district's new Director of Plant Facilities has experience in energy management. His regular job responsibilities will not allow him to carry out the functions needed to conduct the program in the district, although due to his experience, we believe the district can hire a person in the role as Energy Manager without the need to contract with an outside vendor. The cost of this program will be evaluated annually in comparison to the savings generated.

- b. Consider strategies for financing and replacement of aging HVAC and lighting systems.**

USD 457 has a Long-Range Facilities Planning Committee made up of community members and district staff that is developing a plan to address all of the district's long-term maintenance needs. This plan will include the replacement of HVAC and lighting systems as well as other major needs such as, but not limited to, window replacement, flooring replacement, and roof replacement. The plan is scheduled to be completed in June 2017. This committee will then develop strategies for financing the necessary upgrades and maintenance items identified in the plan.

3. Develop and implement a plan to reduce the district's IT positions to better align with its peers.

**The district believes implementing LPA's recommendation as written would have a significant impact on students; therefore, this recommendation should be categorized as moderate impact.*

USD 457 uses a combination of a distributive and centralized model to provide IT support to students and staff members. The district recognizes there is a potential for cost savings in transitioning to a fully centralized model. There are considerable concerns whether a fully centralized model will provide a sufficient level of support to students and staff. Students use technology throughout the school day as part of their instructional program. The district has made a significant investment to provide that technology and so providing an appropriate support system is essential. District staff has been working with LPA staff in an effort to understand the methodology that was applied in this section, but the limited time frame set forth by the deadlines in the process prohibited deeper analysis. The district is not confident that the amount of savings reported by LPA in transitioning to a fully centralized model could be realized.

In the spring of 2016 and the fall of 2017, USD 457 piloted a centralized IT model for some schools with unfilled Sysop positions. The feedback from the administration, staff, and students of those buildings was that it negatively impacted the quality of services previously provided, and that pilot was discontinued. In fact, some staff expressed dissatisfaction with the lack of direct building IT support at an annual board faculty meeting.

The USD 457 Board of Education set forth a priority for the Director of Technology and her staff to study adding additional technology to all K-8 schools as the district already supports at 1:1 iPad initiative at Garden City High School. Until a new instructional initiative is finalized, USD 457 will not, at this time, consider cutting IT staff or moving to a fully centralized model as set forth by the LPA's recommendation.

4. Develop and implement a plan to reduce the district's custodial positions to better align with the NCES benchmark.

**The district believes implementing LPA's recommendation as written would have a significant impact on students; therefore, this recommendation should be categorized as moderate impact.*

Maintaining school facilities to a high standard has been a long-time priority in USD 457. Our students, staff, and community expect their facilities to be clean and well-maintained. This high standard has rendered the benefit of lowering long-term maintenance costs. USD 457 is very willing to examine our custodial staffing levels. The district has been monitoring and adjusting custodial staffing levels since 1996 as part of the district's Program Budgeting process. This annual process utilized committees of community members and employees to scrutinize each department budget. Custodial staffing levels were adjusted as needed through this process. The process was suspended in 2014 as cuts in the department budgets had reached levels that threatened to make some of the departments non-functional.

The NCES Planning Guide for Maintaining School Facilities was a helpful resource identified for USD 457 as part of this audit process. It was difficult for district staff to understand how LPA was applying the NCES standard in this area. It appeared the application was arbitrary and the results inaccurate. So district staff created a worksheet to evaluate our custodial staffing levels based on the NCES standards contained in the planning guide. This worksheet considers the amount of Level 2 cleaning area in a school; the amount of Level 3 cleaning area in a school; and the amount of non-routine cleaning time a custodian spends during their shift. All of the district's custodians have additional responsibilities which would be considered non-routine cleaning during their shift such as cafeteria setup/tear down time for breakfast and lunch; time in cafeteria during breakfast and lunch wiping tables, taking out trash, cleaning up spills, etc.; delivery freight from the office to classrooms and other areas; preparing and checking maintenance work orders on the computer; setting up/tear down for special events (music programs, parent nights, etc.); emergency clean-ups during the day (student accidents); and securing the building at night.

District staff completed the worksheet for each of the district schools (due to time constraints of this audit three elementary schools were averaged to determine Level 2 & 3 percentages for elementary schools and 1 secondary school was used to determine Level 2 & 3 percentages for secondary schools. The results identify 2 schools that are over-staffed by 0.5 FTE custodial positions. The district believes our analysis correctly applies the NCES standards described in the planning guide. The district will implement the reduction of 1.0 FTE custodial positions for the 2017-18 school-year at an estimated annual savings of \$38,500. A copy of this analysis is attached at the end of this response (Attachment B). The worksheet that was developed by district staff will be used to analyze custodial staffing needs in the future.

5. Develop and implement a plan to reduce the district's clerical positions in its elementary schools to better align with its peers.

**The district believes implementing LPA's recommendation as written would have a significant impact on students; therefore, this recommendation should be categorized as moderate impact.*

After reviewing the LPA's recommendation, we conducted our own analysis of the peers that were identified as well as a neighboring peer district that closely resembles our district demographics and was included as an overall peer district in the LPA report. D-18 of the LPA report indicates that clerical staff tasks include "answering the phones, taking payments, performing recordkeeping, and managing entry into school buildings." USD 457 believes that these aforementioned tasks are not just clerical staff duties, but office duties performed by any staff member assigned to the office area, such as nurse's, principals, clerks, and parent liaisons to name a few. School offices are the hub of the building, and often many tasks are required to be handled by more than one person at a time. When comparing Garden City to peer districts, our clerical staff includes mostly secretaries, a building principal, and on some days a school nurse. Although peer districts may not employ multiple secretaries, their offices are staffed with additional personnel who perform general office duties similar to our schools. Attached you find this comparative office personnel data as well as data that references the number of office visits by students for medical-related needs (Attachment C-1 and C-2). This is important to note because very few of our schools employ a full time nurse in which those duties are then performed by the remaining office personnel.

The LPA report also notes on page D-19 that the second clerical staff member helps with food service for two hours each day. The report does not indicate, however, that those two hours are funded through nutrition services for that time. In other words, this is not technically a full-time clerical position, as incorrectly stated in the report.

In reviewing the attachments that compare our peer districts to USD 457, it is evident that in most all scenarios we employ a number of office staff equal to or less than our peers. Changing the title of these positions to match peer districts would not result in any cost savings. At this time, reducing clerical positions would create a negative impact on the health and security of our staff and students, which is not an appropriate decision for our district. When reviewing staffing for all elementary office functions we believe we are operating as efficiently, or more efficiently, when compared to the peer districts identified for this audit by LPA. Attachment C-3 is an analysis conducted by district staff applying the same methodology as LPA, but modified to include all office functions rather than merely position title.

6. Reduce costs associated with the district's leave buy-back policy by taking the following actions:

a. Propose to end the district's policy of buying back leave or propose a reduction to the daily buy-back rate during the next period of teacher negotiations

The leave buy-back policy has been in place in the district for more than two decades and serves several purposes. The policy serves as an incentive and we believe reduces the number of absences by staff as they gain experience in the district. This incentive is beneficial to the district by keeping trained staff in their positions rather than using substitutes, for which we often have a shortage. A considerable amount of educational research has found the single most impactful school related factor in a student's achievement is the classroom teacher. Any time that a classroom teacher is absent and a substitute is not available this places additional burdens on remaining employees and students. Additionally, this policy increases the likelihood of retaining experienced staff members in critical positions. As the district is faced with the current challenge of the national teacher shortage it is the district's goal to keep as many experienced teachers in those critical positions as possible and the district will be considering additional ways to provide

b. Eliminate the cell phone stipend and only provide district-issued cell phones.

Providing a district-issued cell phone would include additional administrative costs associated with utilizing the state contract to provide cell phone service (i.e. IRS tax reporting, monitoring and reconciling bills, repair issues, upgrade issues, replacement, etc.). The savings estimate provided by LPA would not be realized due to these additional administrative costs. The average cost of our overall cell phone stipend to staff is \$61 per employee. According to the 2016 LPA report for Maize USD 266, the national average cost of cell services was \$76. The district has made the choice to provide this benefit in lieu of additional salary. The approach described in the LPA report to persuade an employee to reject a district provided cell phone is not consistent with the positive culture established by the administration and Board of Education. We have determined that the LPA recommendation would not be an appropriate change for the district at this time.

8. Address the district's excess storage space and accumulation of unused items by taking the following actions:

a. Develop and implement a plan to sell the commercial building the district currently uses for storage

An appraisal of the building was completed for the district in 2016. The district will pursue options for selling the building through the local real estate market.

b. Develop and implement a process by which unused items are disposed of in a timely manner

The district will review and refine the process to include consolidation of district storage areas and disposal of unused items during the 2017-18 school year. This will allow the district to empty the contents of a 12,000 square foot building that will be placed on the market for sale.

9. Reduce its in-district travel costs by taking one of the following actions:

a. Reimburse in-district travel based on actual mileage

Reimbursing in-district travel based on actual mileage will increase administrative time for both the employee and the accounting department. The cost for this benefit is reasonable and has not seen an increase in over 20 years. This benefit is similar to many other businesses and Federal agencies that provide their employees a per diem for daily travel or expenses. This and other benefits are offered as a way to attract and retain quality employees by keeping our positions competitive with other parts of the state and country. The district considered this recommendation but declines to implement it due to administrative costs.

b. Reduce the in-district travel stipend to better reflect how many miles staff actually drive on a monthly basis

The cost for this benefit is reasonable and has not seen an increase in over 20 years. The district made the decision to fund this benefit in lieu of additional salary for these employees. This benefit is similar to many other businesses and Federal agencies that provide their employees a per diem for daily travel or expenses. This and other benefits are offered as a way to attract and retain quality employees by keeping our positions competitive with other parts of the state and country. Although we do not plan to make

any changes at this time, before increasing the amount of this benefit for employees in the future, the district will take into consideration the number of miles staff actually drives on an average monthly basis.

10. Consider closing the Jennie Barker Elementary School and relocating the students to other elementary and intermediate schools.

The USD 457 analysis of closing Jennie Barker Elementary School projects a potential annual savings of \$100,000 to \$230,000, which significantly differs in the amount of cost savings identified by LPA staff. The district analysis uses the same methodology provided to us by LPA but we have included the actual employee costs to arrive at this estimate – which we believe to be more accurate. It is also worth noting that the upper-end of these estimates assumes that no students would choose to enroll in other school districts if Jennie Barker Elementary School was closed. USD 457 believes strongly that if this school is closed the district will lose ten percent of the enrollment at the school. Therefore we project the actual annual cost savings of closing this school to be \$100,000 to \$150,000.

The district continues to grow in enrollment, which will create the need for additional classrooms in the future. The administration and Board of Education wish to reduce class sizes at the elementary grades when adequate funding is available; this will require additional elementary classrooms. The Board of Education strategic plan includes a review of the organizational structure of the district (currently Pre-K, K-4, 5-6, 7-8, 9-12). Reducing available buildings and classrooms may limit options for future changes to the organizational structure of the district. Closing Jennie Barker Elementary School will result in the loss of 9 classrooms. Based on the cost to add additional elementary classrooms with new construction and the annual savings estimate for closing this school, it would not be efficient to close this building so the district will not implement this recommendation

11. Create written policies and procedures for cash handling and fixed assets (page D-31)

USD 457 has cash handling policies and procedures in place and training regarding these practices is provided annually to the appropriate employees. The district has begun the process of formally documenting these policies and procedures and they are expected to be completed before the end of the year. USD 457 will document the policies and procedures for fixed assets.

12. Update existing policies and procedures for procurement cards

The district has policies and procedures in place for procurement cards and they are currently being followed. These policies and procedures have effectively prevented fraud and misuse. The district will review our existing policies and make any necessary updates.

13. Train staff in the use of the Skyward module for fixed assets and begin using the module to track fixed assets.

USD 457 maintains a fixed asset inventory for technology, textbooks, and Federal programs. The district did maintain a fixed asset inventory for furniture and equipment through 2013, but the inventory was not annually reconciled so the practice was suspended. An additional position would likely need to be added if the district were to implement this recommendation. The district will examine the feasibility of restoring the process including the need to annually reconcile the inventory.

14. Create a master list of procurement cards that includes information such as the cardholder and transaction limits.

The bank that administers the district's procurement cards provides a listing of each card that is active under the USD 457 account. Each month this list is reviewed and reconciled to ensure proper credit limits, merchant authorization codes, and cardholder employment. The LPA has recommended an additional safeguard which we will incorporate into our monthly reconciliation process.

15. Implement the recommendations related to IT security as described in the confidential management letter.

The district is in the process of reviewing this letter and evaluating the recommendations.

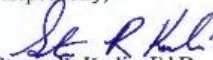
In closing, it is appropriate to make some comments about the overall audit process. As was stated earlier, Ms. Zimmerman and her team were professional and courteous. I believe they strived to make the audit process as painless as possible. As was explained earlier, USD 457 has worked to operate efficiently for many years as do most other Kansas school districts. Additionally, since 2009, reduced state funding available for operating our schools has forced our district and others to make very difficult decisions including the reduction or elimination of programs that affect students. The point being, that every school district in Kansas has strong motivation to operate efficiently – any dollars saved through reducing inefficiency can be used to better benefit students. This process (audit) could be improved if it was more collaborative.

Some of the analysis by LPA appears to look at items in isolation and overstate potential savings. There are multiple examples from our audit described in the preceding sections, for example, elementary clerical support. In our district we are well beyond the days that we can simply rely on counting specific positions to determine efficiency because we have imposed reductions in so many areas in the past that important job functions are being assumed by those that are left. We are concerned more with prioritizing the important functions that must be accomplished than the title of a position. School operations are complicated and this type of superficial examination is not productive. In this audit, our resources would have been much better utilized in a truly collaborative process where genuine inefficiencies could have been identified and discussed.

The final stages of the process has been hurried and abbreviated from what was originally discussed. The staff from LPA has made attempts to be accommodating, but they have made it clear that there is a "hard deadline" for this report. We believe, that if the goal for this process was quality and accuracy, the deadline for this report would supersede the time needed to ensure a quality product. The district has worked hard to understand the basis for the recommendations made by LPA and the LPA staff have been helpful in providing information when requested. However, the short time frame has limited the opportunity for discussion, the district's ability to fully understand how each recommendation was reached, and the chance to provide the appropriate feedback to help ensure the report is accurate. District staff has worked hundreds of hours on this process. The district is disappointed to have to include these concerns in our response.

The Board of Education, Administration, and Staff of USD 457 continue to be committed to providing a high quality education for our students and efficiently utilizing the resources available. We were exposed to some resources as part of this audit process that may be helpful in managing the district. The district will continue to analyze the information from this audit, as well as information from other sources, to help improve efficiency even further throughout our school system.

Respectfully,


Steven R. Karlin, Ed.D.
Superintendent of Schools

Itemized Response to LPA Recommendations

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

LPA Recommendation	Agency Action Plan
Question 1	
1. District officials should post a copy of the completed performance audit on the district's website.	Garden City USD 457 will post the completed performance audit on our district website, www.gckschools.com, as soon as a final approved copy is provided to the district.
Because of the potential for reducing costs or generating revenue with little to no impact on the educational services provided to students, the district should implement the following options:	
2. Reduce the district's energy costs by taking the following actions:	
a. develop and implement a plan to reduce and monitor energy usage including tracking monthly energy usage, reviewing bills, and educating staff and students on energy conservation.	Beginning during the 2017-18 school year, USD 457 will implement an energy management program which will include the need for an additional employee to administer the functions of this program. The cost of this program will be evaluated annually in comparison to the savings generated.
b. consider strategies for financing and replacement of aging HVAC and lighting systems.	The USD 457 Long Range Facilities Planning Committee is in the process of developing a long range facilities maintenance plan which includes a schedule of major district replacement and repair needs. This schedule is expected to be completed in June of 2017. The committee will then consider strategies for financing the plan.
3. Develop and implement a plan to reduce the district's IT positions to better align with its peers.	As part of this audit USD 457 has compared our staffing levels with the peers identified by LPA. Our analysis shows a difference in staffing levels with our peers of 1.5 - 6.5 FTE. USD 457 currently uses a distributed model to provide IT support for students and staff at each of our locations. LPA's audit recommendation to move to a centralized model and reduce IT staff positions could have a significant impact on the level of service and the ability of staff members and students to effectively use technology in our district. Additionally, this report looks exclusively at the number of positions used for IT support and does not consider the specific support needs of the users in each district. In 2016, USD 457 piloted a modified version of centralized IT support and the results proved unacceptable. Technology is an essential tool to support learning in all of our schools. Changing to a centralized support model will negatively affect the responsiveness and quality of support to students and staff. USD 457 does not believe this recommendation would be in the best interest of our staff and students and we will not be implementing it at this time.

<p>4. Develop and implement a plan to reduce the district's custodial positions to better align with the NCES benchmark.</p>	<p>USD 457 has monitored and adjusted custodial staffing levels regularly. From 1996 through 2014 these levels were monitored through our Program Budgeting process. Utilizing the NCES benchmark recommendations as suggested by LPA, our analysis shows a reduction of 1.0 FTE may be appropriate (see analysis in the school response section of this report). Any reductions beyond 1.0 FTE would result in inadequate service level standards which would have a negative impact on the safety and health of students and staff. The district will reduce 1.0 FTE custodial position for the 2017-18 school year, resulting in an estimated annual savings of \$38,500. We will continue to monitor and adjust custodial staff using the worksheet we have developed based on NCES standards.</p>
<p>5. Develop and implement a plan to reduce the district's clerical positions in its elementary schools to better align with its peers.</p>	<p>After reviewing LPA's recommendation we conducted our own analysis of the peers that were identified as well as a neighboring peer district. In our analysis, when comparing all office staff, our staffing level is equal to or less than our peers in almost all cases. Making the reductions recommended by LPA would have a significant negative impact on the operations of the 7 schools (i.e. health functions, safety and security). Based on our analysis, comparing office staffing levels with identified peer schools and the negative impact on students, employees and patrons, USD 457 will not be implementing this recommendation.</p>
<p>6. Reduce costs associated with the district's leave buy-back policy by taking the following actions:</p>	
<p>a. propose to end the district's policy of buying back leave <u>or</u> propose a reduction to the daily buy-back rate during the next period of <u>teacher</u> negotiations.</p>	<p>The USD 457 leave buy-back provisions are an employee incentive benefit designed to improve employee attendance. Nearly all of the cost for this benefit is offset by expenses the district would otherwise incur in employing substitutes. In addition, the district is experiencing a substitute teacher shortage. When a qualified substitute is not available and a teacher is absent it creates a burden on the remaining employees and students. Teacher attendance has a direct impact on student achievement. We are currently considering other ways to provide incentives that will improve employee attendance. Reducing the amount of the benefit would likely reduce the effectiveness of the strategy. USD 457 does not believe this recommendation would be in the best interest of our staff and students and we will not be implementing it at this time.</p>

<p>b. develop and implement a plan to end the district's policy of buying back leave <u>or</u> implement a plan to reduce the daily buy-back rate for <u>administrators and classified staff</u>.</p>	<p>The philosophy of the administration and the Board of Education is that all employees are valuable and contribute to the successful education of our students. Whenever possible we strive for a level of parity in the compensation and incentives available to different classifications of employees. USD 457 does not believe this recommendation would be in the best interest of our staff and students and we will not be implementing it at this time.</p>
<p>7. Reduce its cell phone costs by taking <u>one</u> of the following actions:</p>	
<p>a. reduce the amount of the cell phone stipend to match the cost of providing a district-issued phone.</p>	<p>Referencing state contract pricing does not account for the additional administrative costs that would be associated with utilizing the state contract to provide cell phone service (i.e IRS tax reporting, monitoring and reconciling bills, repair issues, upgrade issues, replacement, etc). USD 457's cell phone stipend is consistent with the local costs for cell phone plans and the national average that was reported in the Maize USD 266 LPA Performance Audit from July 2016. This is a reasonable amount for an employee benefit. USD 457 does not plan to adopt the recommendation at this time.</p>
<p>b. eliminate the cell phone stipend and only provide district-issued cell phones.</p>	<p>District issued cell phones will require additional administrative costs that would be associated with utilizing the state contract to provide cell phone service (i.e IRS tax reporting, monitoring and reconciling bills, repair issues, upgrade issues, replacement, etc). The savings estimate provided by LPA would not be realized due to these additional administrative costs. Additionally, the approach described in the LPA report to persuade an employee to reject a district provided cell phone is not consistent with the positive culture established by the administration and Board of Education. After reviewing the information provided by the LPA, it is determined that USD 457 will not be implementing the recommendation at this time.</p>
<p>8. Address the district's excess storage space and accumulation of unused items by taking the following action:</p>	
<p>a. develop and implement a plan to sell the commercial</p>	<p>USD 457 will place this property on the market.</p>
<p>b. develop and implement a process by which unused items are disposed of in a timely manner.</p>	<p>USD 457 will review and refine the process to dispose of unused items during the 2017-18 school year. This will be done in conjunction with Recommendation #14 below</p>
<p>9. Reduce its in-district travel costs by taking <u>one</u> of the following actions:</p>	
<p>a. reimburse in-district travel based on actual mileage.</p>	<p>Reimbursing in-district travel based on actual mileage will increase administrative time for both the employee and the accounting department. The cost for this benefit is reasonable and has not increased in over 20 years. The district made the decision to fund this benefit in lieu of additional salary for these employees. USD 457 does not plan to implement this recommendation at this time.</p>

<p>b. reduce the in-district travel stipend to better reflect how many miles staff actually drive on a monthly basis.</p>	<p>This has been an employee benefit that has been offered for over 20 years with no increase in the standard amount. The cost for this benefit is reasonable and has not increased in over 20 years. The district made the decision to fund this benefit in lieu of additional salary for these employees. In the future, before increasing the amount of this benefit for employees, the district will take into consideration the number of miles staff actually drive on an average monthly basis.</p>
<p>Because of the potential for impact on students or the community the district <u>should consider</u> implementing the following cost savings option:</p>	
<p>10. Consider closing the Jennie Barker Elementary School and relocating the students to other elementary and intermediate schools.</p>	<p>USD 457 analysis of closing Jennie Barker Elementary School projects a potential annual savings of \$100,000 to \$230,000. Growth in the community is primarily in the northeast area of town and impacts Jennie Barker Elementary School attendance boundaries. As the district continues to grow in enrollment, the need for additional classrooms is created. Furthermore, the administration and Board of Education wish to reduce class sizes at the elementary grades when adequate funding is available; this will require additional elementary classrooms. The Board of Education plans to review the organizational structure of the district (currently Pre-K, K-4, 5-6, 7-8, 9-12). Reducing available buildings and classrooms may limit options for the future. Closing Jennie Barker Elementary School will result in the loss of 9 classrooms. Based on the cost to add additional elementary classrooms with new construction and the annual savings estimate for closing this school it would not be efficient to close this building.</p>
<p>To address the inventory and other policy issues we identified the district <u>should</u> implement the following actions:</p>	
<p>11. Create written policies and procedures for cash handling and fixed assets.</p>	<p>Cash handling procedures are being followed and annual staff training is in place. Writing policies and procedures for cash handling is currently in process and should be completed by October 1, 2017. Fixed assets procedures are addressed in #14 below.</p>
<p>12. Update existing policies and procedures for procurement cards.</p>	<p>Policies and procedures for procurement cards are currently in place and being followed.</p>
<p>13. Train staff in the use of the Skyward module for fixed assets and begin using the module to track fixed assets.</p>	<p>USD 457 maintains a fixed asset inventory for technology, textbooks, and Federal programs. USD 457 did maintain a district fixed asset inventory for furniture & equipment through 2013, but the inventory was never reconciled so the practice was suspended. The district will examine the feasibility of restoring the process including the need to annually reconcile the inventory.</p>
<p>14. Create a master list of procurement cards that includes information such as the cardholder and transaction limits. Then, update and reconcile the list at least annually.</p>	<p>A master list is generated, reviewed, and reconciled on a monthly basis. The LPA has recommended an additional safeguard which we will incorporate into our monthly reconciliation process.</p>
<p>15. Implement the recommendations related to IT security as described in the confidential management letter.</p>	<p>The district is in the process of reviewing this letter and evaluating the recommendations.</p>



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April 10, 2017

Mr. Scott Frank
Legislative Post Auditor
Legislative Division of Post Audit
800 S. W. Jackson Street, Suite 1200
Topeka, Kansas 66612-2212

Dear Mr. Frank:

Thank you for the opportunity to review your recent performance audit, *K-12 Efficiency Audit of the Garden City School District*. The following recommendation was included for KSDE Action.

“To assist school districts in adopting stronger policies and procedures to protect their assets, the Kansas Department of Education (KSDE) should work with other education organizations such as the Kansas Association of School Boards (KASB) or the Kansas Association of School Business Officials (KASBO) to develop model policies and procedures in key accounting areas such as cash handling, asset inventories, procurement cards, and separation of duties.”

KSDE RESPONSE: Our agency is willing to provide additional guidelines to school districts to assist in the improved efficiency of the fiscal operations of school districts. Over the past years we have made a concerted effort to provide districts with guidelines concerning accounting and budgeting. Attached is a partial listing of the numerous guidelines and other sources already in existence for use by school districts.

It is also important to note that many times certified public accountants, in reviewing school district accounting records, recommend that additional staff should be assigned to the duties required of the business manager/clerk of the board. Many boards of education have expressed to our agency that they cannot afford to employ additional staff to cover accounting efficiencies recommended by the CPA's.

In summary, if the Legislature believes that KSDE should expand our endeavors in this area, we will make every effort to work within the resources available.

Please feel free to contact this office if we can assist you further.

Sincerely,

Dale M. Dennis, Deputy
Commissioner of Education

DMD:tjm

Attachment

Itemized Response to LPA Recommendations

Audit Title: K-12 Education: Efficiency Audit of the Garden City School District
Agency: Kansas State Department of Education

LPA Recommendation	Agency Action Plan
Question 1	
<p>1. To assist school districts in adopting stronger policies and procedures to protect their assets, the Kansas Department of Education (KSDE) should work with other education organizations such as the Kansas Association of School Boards (KASB) or the Kansas Association of School Business Officials (KASBO) to develop model policies and procedures in key accounting areas such as cash handling, asset inventories, procurement cards, and separation of duties.</p>	<p>KSDE RESPONSE: Our agency is willing to provide additional guidelines to school districts to assist in the improved efficiency of the fiscal operations of school districts. Over the past years, we have made a concerted effort to provide districts with guidelines concerning accounting and budgeting. Attached is a partial listing of the numerous guidelines and other sources already in existence for use by school districts.</p> <p>It is also important to note that many times certified public accountants, in reviewing school district accounting records, recommend that additional staff should be assigned to the duties required of the business manager/clerk of the board. Many boards of education have expressed to our agency that they cannot afford to employ additional staff to cover accounting efficiencies recommended by the CPA's. In summary, if the Legislature believes that KSDE should expand our endeavors in this area, we will make every effort to work with the resouces available. The information below can be accessed on the School Finance website.</p> <p>GUIDELINES AND MANUALS Mill Rate User's Guide Accounting Handbook—Recording Expenditures in USD Budget and School Activity Funds Capital Outlay Resolution and Spending Guidelines Competitive Bidding Guidelines (Expenditures over \$20,000) Fair Labor Standards Act (FLSA)—FAQ for schools on minimum wage and Overtime requirements Guidelines for Financial Reporting Investment of Idle Funds (includes Local Public Funds Deposits) IRS Rules on Meal Reimbursement Qualified Zone Academy Bonds (QZAB) Record Keeping Requirements</p>

APPENDIX B
Information about Peer District Selection

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

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

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

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

Demographic Information for the Garden City School District and its Peer Districts (a) (2015-16 school year)					
USD #	Name	FTE Students	% Free Lunch	% Limited English Proficiency	Assessed Valuation Per Pupil
253	Emporia	4,378	50%	35%	\$40,461
428	Great Bend	2,940	58%	25%	\$50,593
443	Dodge City	6,487	72%	53%	\$33,853
457	Garden City	7,237	59%	44%	\$46,252
480	Liberal	4,738	71%	58%	\$33,912
500	Kansas City	20,255	73%	36%	\$34,540

(a) We were not able to identify many districts that were similar to Garden City in terms of both enrollment and demographics. However, our 2006 cost study found that once a district's enrollment reaches about 2,000 students, its costs on a per-student basis are constant even as district size increases. At this point, other factors (such as student demographics) may influence district costs more than enrollment. As such, we chose districts with more than 2,000 students and similar demographics for Garden City's peer districts. Source: Kansas State Department of Education (audited).

APPENDIX C

Bibliography

This appendix includes a list of the reports and studies noted in this report.

1. Kansas Legislative Division of Post Audit, “K-12 Education: Efficiency Audit of the Auburn-Washburn School District” (July 2015).
2. Kansas Legislative Division of Post Audit, “K-12 Education: Efficiency Audit of the Maize School District” (July 2016).
3. National Center for Education Statistics, “Planning Guide for Maintaining School Facilities” (February 2003).
4. Princeton Energy Resources International, “School Operations and Maintenance: Best Practices for Controlling Energy Costs” (August 2004).
5. U.S. Environmental Protection Agency, “Schools: An Overview of Energy Use and Energy Efficiency Opportunities.”