



Auditor of Public Accounts
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Auditor Edelen releases Fayette County Public Schools special examination, finds fiscal mismanagement, disparities between administrative and faculty benefits

LEXINGTON, Ky. (Sept. 17, 2014) – Auditor Adam Edelen on Wednesday released a special examination of Fayette County Public Schools, finding chronic mismanagement of the district’s budget and finances that have contributed to its financial instability.

Auditors did not find any evidence of alleged criminal activity; however, they determined that poor financial management, weak policies and failed communications culminated in a weakened financial position for the district.

“This examination found that unfortunately, it’s not all about the kids,” Auditor Edelen said. “Mismanagement of the finances of the state’s 2nd largest school district, with an annual budget of more than \$400 million, is obviously very troubling. But even more so is a culture within certain elements of management that does not reflect the district’s purported values. Our kids deserve better.”

Auditors identified salary and perk disparities between administrative and educational staff, excessive travel and training within one department, violations of the procurement process and other board policies, potential conflicts of interest, and other concerns.

The Auditor’s office launched an examination last spring after it received concerns that centered on an alleged \$20 million discrepancy in the budget.

Auditors found that the budget director did not become aware of certain financial transactions in a timely manner, which led to her establishing a budget that reflected \$20 million more than the district actually had to spend. The financial transactions made by the finance director were not illegal, but auditors question whether the availability of the money was purposely hidden from the school board and public. Subsequent budgets also contained significant errors, leading to the passage of unbalanced budgets. (Finding 1)

“We understand that school districts, especially those with large budgets, use complex accounting procedures to balance their books,” Auditor Edelen said. “But when vast sums of money are committed for various purposes and then decisions are made to routinely use those funds for different purposes after the budget process has ended, we question whether the intent is to conceal the true amount that is available for spending.”

Reporting a limited amount of available money by setting it aside for the use of district management to spend as it wishes avoids unwelcomed attention from lawmakers and impairs transparency and accountability.

Auditors found a lack of transparency when management altered the district’s salary schedules. Unlike in past years, for the 2013-14 school year management did not highlight significant changes to administrative pay when it presented the schedules for board approval. The administrative additive was increased from \$36,726 to \$63,299. Auditors noted that over a four-year period, the average pay increase for high-ranking administrators was 24.7 percent, while the average teacher pay increase was 9.88 percent. (Finding 3)

“As a businessman, I understand the need to be competitive with compensation packages to attract and retain talent, but where are your priorities when you are simultaneously cutting programs and can’t provide teachers with the resources they need for the classroom?”

Auditor Edelen noted that there are currently 11 FCPS teachers asking for money to buy basic supplies for the classrooms – most of which are in high poverty schools – on a national crowd-funding website.

“Parents struggle to afford items on long back-to-school lists and teachers pay for resources for their classrooms out of their own pockets,” Auditor Edelen said. “Now, teachers are taking to the Internet to get help buying basic necessities like science kits and dictionaries while administrators are granted big raises and other perks that aren’t offered to teachers.”

Auditor Edelen is particularly troubled by the use of a trust fund left to the district by a deceased FCPS teacher for the “enhancement and enrichment of the educational program.” The district can use the interest and up to 10 percent of the principal each year. The fund balance was over \$1.1 million as of June 30, 2014. (Finding 5)

The fund is used to grant loans to administrators for travel and training. When the use of these funds was discussed with the director of financial services, he indicated it would be problematic to promote the availability of these funds to teachers and others.

“Concealing the trust fund from educators so that only bureaucrats reap the benefits is just greedy,” Auditor Edelen said.

Other disparities in administrative and teacher perks exist. The Department of Financial Services spent more than \$115,212 for travel, training and reference books in a four-year period. Auditors found unnecessary and excessive travel and training. The district paid for the director of financial services to receive his superintendent certification. Subsequent to this examination, he refunded

the full amount to the district. FCPS does not track who receives education benefits or how much they cost. (Finding 6)

Auditors also found that management circumvented controls and violated its procurement process to contract with a vendor that provides college preparation services. (Finding 4) The contract is a potential conflict of interest, but auditors were unable to determine that the superintendent benefits directly from his relationship with the vendor's CEO. Auditors identified other possible conflicts of interest in the district during the examination. (Finding 7)

“For two years I have pressed school districts to keep their eyes on the ball and not let resources get gummed up in central office rather than the classrooms where they are needed,” Auditor Edelen said. “It is especially critical at a time when administrators are asking everyone else – taxpayers, teachers and parents – to give more and do with less.”

The audit report can be found on the [auditor's website](#).

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