



Auditor of Public Accounts  
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**IMMEDIATE RELEASE**

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**Auditor Edelen Releases JCPS Exam, Making More Than 200 Recommendations That Affect Classroom Funding, Address Inflated Bureaucracy**

*Largest Review Ever Conducted by the Auditor's Office Expected to Save District Tens of Millions of Dollars, Act as Catalyst for Making JCPS One of the Best Districts in the Country*

**LOUISVILLE, Ky. (May 21, 2014)** – Auditor Adam Edelen on Wednesday unveiled a comprehensive examination of the Jefferson County Public Schools, exposing an unchecked bureaucracy that has become bloated and inefficient at the expense of the classroom.

The largest review ever conducted by the Auditor's office identified outdated and inefficient operations that cost taxpayers millions of dollars, a school board that doesn't provide adequate oversight, an inconsistent contracting process, a toothless internal audit system and serious security and privacy concerns.

Auditors selected five peer districts across the country and found that JCPS ranks at or near the bottom in categories involving teacher staffing and expenditures for instruction while ranking highest in categories of school administration, support staff and instructional aides.

"This report paints a picture of a bureaucracy that benefits itself and keeps the board in the dark rather than supports excellence in the classroom and a public mission of transparency and accountability," Auditor Edelen said.

The 260-page report contains 45 findings and was requested by JCPS Superintendent Donna Hargens and the school board last year.

"Working together to maximize efficiency and, ultimately, positively impact student achievement has been a beneficial and powerful process," Dr. Hargens said. "These findings build upon our prior actions of reducing central office staff, increasing instructional dollars, and adding more supports in the classroom by providing us roadmap to continuous improvement."

Board Chairwoman Diane Porter said the review will assist the board in its vision of making sure all students graduate prepared.

“This review of district operations and governance further empowers this board to confidently guide JCPS on its road to becoming the best urban school district in the country,” Ms. Porter said.

### **Benchmarking and Comparative Analysis**

Auditors, with the assistance of former Education Commissioner Gene Wilhoit, selected five districts to serve as appropriate benchmarks for JCPS: Austin Independent, Baltimore County, Charlotte-Mecklenburg, Cobb County (Marietta, Ga.) and Pinellas County (St. Petersburg, Fla.). Enrollment, student demographics, socio-economic status and budgets were used to determine the benchmark districts.

Previously, JCPS routinely chose new sets of peers for comparisons, which prevented it from consistently benchmarking itself for various metrics.

“The findings in the benchmarking section confirm what I and many in the community suspected – that JCPS bureaucracy has become bloated, preventing adequate resources from reaching the classroom,” Auditor Edelen said.

The benchmark analysis found that JCPS ranked:

- Lowest in instructional spending as a percentage of total spending;
- Lowest in teachers as a percentage of staff;
- 2<sup>nd</sup> highest in student-to-teacher ratio;
- Highest in administrative and operations spending as a percentage of total spending;
- Highest in instructional aides as a percentage of total staff;
- Highest in school administrators as a percentage of total staff.

“The number of school administrators and support staff as a percentage of total staff is nearly double the rate of one of the benchmark districts,” Auditor Edelen said. “That indicates that much of the administrative bloat exists at the school level, not in the central office.”

More alarming is that JCPS has three times the number of central department employees with salaries of more than \$100,000 compared to one of benchmark districts and the highest average salary. In total, JCPS has 369 employees making more than \$100,000.

“Yet, a survey of JCPS teachers found that the majority spend personal funds for the classroom, with most saying it is because the schools lack the resources they need,” Auditor Edelen said. “Most spend hundreds of dollars a year. A teacher should have the prerogative to use personal resources for the classroom, but no teachers should feel they have to due to a lack of funding.”

The survey of teachers at JCPS and 12 other districts in Kentucky found troubling issues related to textbooks and instructional material. JCPS places more restrictions on students being able to

take textbooks home than other districts. This has the potential to put JCPS students at an academic disadvantage. Coupled with that, JCPS has the lowest textbook budget among benchmark districts.

“Obviously this is also a state issue and one that needs to be addressed,” Auditor Edelen said. “Our kids must have access to high-quality instructional material in order to compete globally.”

The surveys also found that the recent trend of shifting the burden to parents and students – asking them to supply long lists of back-to-school supplies – is not sustainable.

Auditor Edelen recommends JCPS assess staffing priorities and salaries to provide students with the greatest opportunity to succeed.

### **Governance**

Auditors found significant weaknesses in the board governance structure. Some board members acknowledged that they lack a depth of understanding necessary to effectively examine the budget without relying on staff. Board members made comments to auditors like:

- The CFO provides information on every aspect of the budget and it is totally sufficient. She will tell them if there are issues.
- Budget is not revisited for a comparison with actual expenditures because of timing issues.
- Not sure what the budget line items really mean as to what expenses are included.

“With a \$1.2 billion annual budget, large student population and a number of other complexities, a highly-functioning board is an absolute must,” Auditor Edelen said. “Relying on staff raises serious concerns about the board’s ability to independently oversee the budget. This circumstance has been present in every school district where we have found problems.”

Auditor Edelen recommends the board consider adding two “at large” board members who would represent the entire district, rather than specific divisions.

### **Contracting**

Significant weaknesses were identified in the contracting and procurement process. JCPS doesn’t readily know how many contracts it has or how much they are worth. Auditors found well over 1,700 contracts with private vendors, but that doesn’t include professional service contracts under \$5,000 or capital construction contracts.

“Folks, this is simply unacceptable,” Auditor Edelen said. “Five years ago the state began publishing all open contracts on a publicly-accessible website. Taxpayers deserve no less of JCPS.”

Auditors found a lack of monitoring and oversight of contracts at the central level. Some contracts are allowed to renew an unlimited number of times without reporting to the board. In some instances, signed, written contracts were not maintained. Instances also were noted of payments made for invoices and construction change orders that did not comply with contract terms or lacked required supporting documentation.

Improvements to the contract and procurement processes are needed to increase transparency and ensure taxpayers that JCPS is a good steward of the public funds.

“Creating a centralized, publicly-accessible database of contracts is imperative in the digital age,” Auditor Edelen said. “Accountability demands precision.”

### **Operations, policies and procedures**

Auditors found that JCPS operates a costly and inefficient centralized warehouse system. JCPS employs 59 people to operate a network of 6 warehouses that is charged with ordering, storing and distributing supplies across the district schools. This has created a sizeable payroll of employees and physical buildings that must be maintained and incur utility costs. Auditors could identify no cost-benefits of doing this.

“It’s not surprising that a billion-dollar entity has some inefficient and outdated ways of operating,” Auditor Edelen said. “But it is hard to believe that an inefficiency that costs taxpayers at least \$3 million a year has been ignored until now, especially in one of the global-logistics capitals of the world.”

Significant weaknesses related to policies and procedures also were identified.

“Fortunately for taxpayers, no serious abuses or waste were found at the central level, but it doesn’t mean it didn’t occur in the past or that it couldn’t occur in the future,” Auditor Edelen said. “When you don’t have adequate and consistent controls over things like travel, credit cards, leave time, take-home cars and cell phones you are increasing that risk. The recent district internal investigation into abuses at PRP shows precisely why tight controls must be in place.”

A lack of consistency was identified in several findings as an area of concern. JCPS doesn’t have a consistent policy for salaried staff regarding the use of leave time for partial days. Auditors found that central office administrators were not required to use leave time for missing a partial day, but most teachers were.

### **Internal Audits**

Auditors found that the internal audit department conducted a large number of audits each year, yet the focus of the work was questioned. Risk levels weren’t assessed in determining which audits to perform, an annual audit plan wasn’t established, the board lacked an audit committee to oversee the work and the internal audit director reported to the superintendent rather than the board.

“Scandals that have been uncovered at JCPS schools in recent weeks are likely to continue without a strong, independent internal audit function,” Auditor Edelen said. “With 155 schools, neither the district’s CPA nor the Auditor’s office could ever be expected to root out problems at the school level. That is why the internal audit structure exists.”

## **Information Technology**

A review of IT functions at JCPS identified serious concerns related to school safety plans and student privacy.

JCPS lacks oversight over the development of Safety and Emergency Procedure Manuals for each school. As a result, procedures established in case of an emergency situation may be outdated or may not exist. The types of emergencies covered by the manuals include abduction, bomb threat, flood, intruder in the building and severe weather.

Auditors also found that JCPS did not adequately protect sensitive, confidential student data.

“School districts are not only expected to provide kids with a world-class education, but they are also obligated to protect them and their private data,” Auditor Edelen said.

## **What’s Next**

The report contains more than 200 recommendations that Auditor Edelen believes will save taxpayers tens of millions of dollars, reduce the risk for fraud and abuse and increase transparency.

Subjects of review by the Auditor’s office are expected to submit 60-day status reports, and JCPS has said it would provide additional updates in six months and a year.

“My ultimate goal for this review is that it serves as the catalyst for making JCPS one of the best school districts in the country,” Auditor Edelen said. “I applaud Dr. Hargens and the board for having the courage to ask for this and I hope the work begins rather than ends here.”

The report can be found on the [Auditor’s website](#).

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# JCPS: Classrooms vs. Bureaucracy

## Classrooms

LOWEST Among Benchmarks  
in Instructional Spending



## Bureaucracy

HIGHEST Among Benchmarks in  
Administrative and Operations  
Spending



LOWEST in Teachers  
as a Percentage  
of Total Staff



HIGHEST in School  
Administrators as a  
Percentage of Total Staff



Percentage of teachers  
who spend personal funds  
for the classroom



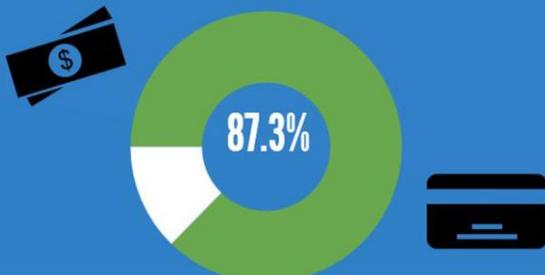
Number of administrators  
making more than \$100K

**369**

Number state executive branch  
workers making more than \$100K

**281**

Percentage of teachers who  
spend more than \$100 a year



**3 times**

The number of district  
administrators compared  
to benchmark districts