

**Examination of Certain Policies, Procedures, Controls, and
Financial Activity of the Kenton County School District**



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The Auditor Of Public Accounts Ensures That Public Resources Are Protected, Accurately Valued, Properly Accounted For, And Effectively Employed To Raise The Quality Of Life Of Kentuckians.

Table of Contents

TRANSMITTAL LETTER

Chapter 1	Findings and Recommendations	1
Exhibit	1. Student Nutrition Department Out-of-State Trips Identified During Testing	14
Kenton County Board of Education Response	15



ADAM H. EDELEN
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September 19, 2012

Dr. Terri Cox-Cruey, Superintendent
Kenton County School District
1055 Eaton Drive
Ft. Wright, Kentucky 41017

RE: Findings and Recommendations

Dear Dr. Cox-Cruey:

We have completed our Examination of Certain Policies, Procedures, Controls, and Financial Activity of the Kenton County School District (District). This examination was initiated due to concerns received by this office from a citizen involving procurement, travel by District Food Services personnel, the use of take home vehicles, and other financial related issues.

In performing this examination, we requested and obtained several District records, including, but not limited to, certain travel budget to actual expenditure reports for fiscal years 2008 through 2012, a sample of travel vouchers and supporting documentation, as well as monthly food service financial reports presented to the District Board. In addition to analyzing and reviewing various District records, we also met with the District Director of Finance, District Director of Operations, the District Assistant Superintendent of Transportation and Related Services, and you to discuss various District policies, practices, and financial activities. This report presents six findings and 36 associated recommendations to strengthen District policies and oversight of financial activity.

The Auditor of Public Accounts requests a report from the District on the implementation of the examination recommendations within (60) days of the completion of the final report. If you wish to discuss this report further, please contact me or Brian Lykins, Executive Director of the Office of Technology and Special Audits.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam Edelen
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Chapter 1

Findings and Recommendations

**Finding 1:
Personnel were
reimbursed for
out-of-district
travel expenses
without proper
pre-authorizations.**

The former Director of Food Services and other Student Nutrition Department personnel were reimbursed for travel expenses without obtaining the proper pre-authorizations for out-of-district travel. The out-of-district travel expenses included multiple professional conferences, meetings, travel life insurance, and on three occasions internet access for the Director of Food Services to check work emails while on vacation. These reimbursements were allowed to occur, in part, because the fund these payments were disbursed from was controlled by the Student Nutrition Department rather than by the District's Finance Department and the District did not provide adequate oversight and management of the Student Nutrition Department.

An initial sample of Food Service Fund travel expenditures, totaling \$124,657 or 64 percent of the fund's total \$194,808 in travel expenditures, examined for the period July 1, 2007 through June 30, 2012 found Travel Authorization Request Forms were not completed as required by the District's Finance Department. However, the Director of Finance stated "Travel Authorization Requests are absolutely required before issuing payments."

The Food Service Fund was handled independently by the Student Nutrition Department.

Reimbursements to Student Nutrition Department personnel were made by preparing manual hand-written checks from the District's Food Service Fund. Unlike the District's General Fund, which is managed at the central level by the District's Finance Department, the Food Service Fund was independently controlled by the Student Nutrition Department with payments made using manually prepared hand-written checks signed by a bookkeeper and the former Food Services Director.

Although the Food Service Fund was not controlled at a central level, the District's Finance Department required those funds to be disbursed using the same procedures as all other District funds. Section 4 of the District's Business Operations Manual (BOP) states, "[a]ll disbursements of District funds must be made in accordance with District procedures."

District's Business Operations Manual requires pre-authorizations for out-of-district travel.

To be eligible for travel expense reimbursements, section 6 of the BOP states, "[o]fficial travel by Kenton County School District employees must be approved in advance. Each employee MUST complete the "Travel Authorization Request Form" prior to traveling out of the district."

According to the former Director of Food Services, who has been employed with the District in that position for 23 years, she received no information regarding the District's policies or procedures. Furthermore, she stated that no one previously told her, until now, that she needed to complete travel request forms and have them approved before taking a trip. According to the Food Service Operations Coordinator, she was under the impression that the Director had authority to approve the travel and expend funds for the Department. She stated that no one at the District ever instructed her to operate in any other manner.

Chapter 1

Findings and Recommendations

The Director of Operations and Director of Finance stated that employees were informed of the policies and the former Director of Food Services should have known to complete the travel request form for approval.

The Director of Operations, who was responsible for supervising the former Food Services Director, stated that he was aware of very few trips taken by the former Director of Food Services and her staff prior to travel occurring. The Director of Operations noted that while he believed he had asked the former Director of Food Services to submit a travel request form on occasion, he could only document that he made such a request one time on January 4, 2012.

Supervisor had no prior knowledge of many out-of-state trips and was unaware of others.

The Director of Operations noted that other departments he supervises do not travel frequently; therefore, he had no reason to believe there were trips taken by Student Nutrition Department personnel without authorization. The Director of Operations stated that he had no prior knowledge of many of the out-of-state trips and was not aware of many of the trips until the District gathered the travel documentation per the auditor's request.

According to the Director of Finance, the former Director of Food Services stated to him that her department stopped using travel request forms to obtain pre-approval because they could not locate the forms. The Director of Finance believed this to be an indication that the former Director of Food Services and Department personnel were aware of this requirement but had not abided by the District's policy. The Director of Finance then stated that the forms are available on the District website and in the Finance Department.

Auditors requested the District provide any documentation that may exist to indicate when employees were trained or notified of District policies and procedures. While the District initially provides new employees with an employee handbook to notify them of the District's personnel policies, the handbook does not cover administrative policies and procedures such as travel and procurement procedures. According to certain District personnel, the process to inform employees of policies and procedures, such as travel and purchasing policies, is informal and as determined necessary.

Decentralizing controls over the Food Service Fund increased the District's risk that questionable expenditures may occur.

By decentralizing the controls over the Food Service Fund and allowing the Student Nutrition Department to have total oversight, including District Food Service personnel providing both signatures required to approve manual checks, the District increased the risk that questionable expenditures, such as reimbursement for expenses related to non-preapproved travel, would occur. While the District may decentralize areas of fiscal management, it should maintain some level of oversight and ensure employees responsible for distribution of those funds are adequately trained and documentation of the employee training is maintained.

Chapter 1

Findings and Recommendations

Recommendations

We recommend all District employees follow the policies established by the District for its operations. Employees have a responsibility to ensure the operations of the District follow strong internal controls and processes and that they are performed consistently so that all department personnel are treated in a fair and equitable manner.

We recommend the District require Finance Department personnel to review and approve payments from the Food Service Fund before checks are issued to ensure the proper supporting documentation was obtained. We recommend the District consider requiring a designee from the Finance Department to be the second signature of checks written from the Food Service Fund. The District should consider this type of control for any other school funds held by other District personnel outside of the Finance Department.

We recommend the District or the CPA performing the District's financial statement audit, periodically review manual checks issued from its various funds to ensure the proper documentation is maintained to support the expenditure and that internal controls are in place and operating consistently.

We recommend that the District ensure all employees with responsibility over the expenditure of District funds be made aware of and trained to follow the District policies and procedures governing the disbursement of District funds. Training documentation should be retained that includes the subject matter, the instructor's name, the date, and the names of those attending. If the District creates new or revises old policies and procedures, those revisions should be made in writing and the policies and procedures should be properly disseminated making notice to the appropriate personnel immediately.

Finally, we recommend the District periodically remind personnel of their required compliance with District policies and communicate how the policies can be accessed or located.

Finding 2: Out-of-state travel for Food Services employees appears excessive.

46 employees attended Las Vegas Conference costing over \$40,000.

Testing a sample of approximately 64 percent of all Food Service Fund travel expenditures incurred from fiscal year 2008 through fiscal year 2012 revealed 24 out-of-state trips taken by Student Nutrition Department personnel. The majority of this travel involved the former Director of Food Services attending the trips by herself; however, seven of the 24 out-of-state trips examined included additional Student Nutrition Department personnel. In one instance, 46 Student Nutrition Department personnel attended a national conference in Las Vegas, Nevada, costing the District over \$40,000 for hotel charges, airfare, baggage fees, conference fees, meals, and taxi services.

Chapter 1

Findings and Recommendations

The former Director of Food Services averaged approximately four out-of-state trips annually.

District records examined by auditors document the former Director of Food Services traveled to locations such as Philadelphia, Chicago, New York, Miami, Charlotte, Denver, Boston, Seattle, Napa Valley, Las Vegas, and Japan. After obtaining the full detail of costs associated with each of the 24 trips identified in the sample, auditors expanded the sample to include all reimbursements made to the Director of Food Services during the examination period. By expanding the sample to cover these additional reimbursement requests, auditors identified seven additional trips for a total of 31 trips. See Exhibit 1 for a list and cost of trips.

While a significant amount of the costs associated with each trip was identified, auditor's understand from District records and personnel that for certain trips a portion of the total trip costs may have been paid by other organizations for which the District or its staff are associated. One example would be the trip to Ghana taken by the Director of Food Services and the Food Service Operations Coordinator. The trip to Ghana was taken as part of a collaborative project between a local university and local professional association to establish a food program at a school in Ghana. While the airfare and hotel costs were paid by a local professional association, the two were each reimbursed by the District over \$70 for medical life insurance required by the university to attend the overseas trip. The Director of Finance strongly stated that this insurance coverage is absolutely not an expense the District would agree to pay if presented for approval.

The former Director of Food Services stated that she believed her travel was allowable as she had been told when hired, over 23 years ago, that the District would support her in obtaining the necessary continuing education hours to maintain her Registered Dietician license in Kentucky. To maintain a Registered Dietician license requires the licensee to obtain 75 hours of continuing professional education over a five-year period. In or around 2001, the former Director of Food Services received her School Nutrition Specialist designation that requires, by state regulation, 45 hours of continuing professional education. While she acknowledged that she would not have had to travel as far to receive continuing education over the years, she selected the conferences and meetings to attend based on what she believed to be the most beneficial to the District. The former Food Services Director noted that she was allowed, over 20 years ago in her third year with the District, to take others on conference trips.

Chapter 1

Findings and Recommendations

The Food Services' travel budget was exceeded three of the last four fiscal years.

According to the former Director of Food Services, she was allowed to incur this type of travel as long as the Food Service Budget was sufficient. The Director of Food Services stated that her supervisor never requested any information regarding the finances of the Student Nutrition Department. The Food Service revised travel budget for fiscal years 2009 through 2012 were \$57,000, \$42,000, \$36,000, and \$25,500, respectfully. According to District records, the travel budget within the overall Food Service Budget was exceeded three of the last four fiscal years; however, the overall amount of the Food Service Budget easily absorbed the travel costs and the total actual Food Service expenditures declined each year. According to the District, the Student Nutrition Department did not request funding from the District's General Fund or increase the cost of student meals since the 2002-2003 school year, until the 2011-2012 school year when a federal requirement caused a 25 cent increase in the cost of a meal.

Out-of-state travel expense reimbursements were made despite lack of documentation and pre-approvals.

District records indicate most of the former Food Services Director's out-of-state travel was to attend national nutrition and dietetic conferences. However, auditors found the purpose for the former Director's out-of-state travel was not always clearly documented in District travel records, yet the reimbursements were made for travel expenses despite the lack of documentation and pre-approvals. While the overall budgeted funds were more than sufficient to reimburse these travel costs and the District had no significant concerns regarding the former Director of Food Services' work performance, the number and cost of the trips taken by the former Director and the number of other Student Nutrition Department personnel in attendance on certain trips appears excessive and should have been scrutinized more closely by District management.

The Director of Operations, responsible for supervising the former Director of Food Services, could only recall being aware of four of the former Food Services Director's out-of-state trips prior to the trips being taken. He recalled the former Director of Food Services attended a conference in Japan in 2008, Las Vegas in 2009, Washington D.C. in 2012, and a vendor meeting in Charlotte in 2008.

According to the Director of Operations, the former Director of Food Services had the approval of the former District Superintendent to attend the Japan and Las Vegas trips and that the Superintendent was involved in approving the Charlotte and Washington D.C. trips. While the District was able to provide an email indicating the former Superintendent had given some level of support for the trip to Las Vegas in 2009, the District was not able to provide auditors with formal documentation clearly showing that prior approval was obtained for any of the out-of-state travel.

Chapter 1

Findings and Recommendations

Of the 31 out-of-state trips identified during the examination, four trips were to the annual Student Nutrition Conference and included several other District Student Nutrition Department personnel. In addition to the former Food Services Director, from 2008 to 2011 Student Nutrition Department personnel attended this conference traveling to Philadelphia, Las Vegas, Dallas, and Denver. The costs of these trips to the District varied from \$9,000 to over \$40,000, depending greatly on the number of District personnel attending.

Food Services employees' out-of-state travel cost the District tens-of-thousands of dollars.

In 2008, the expenses for the conference held in Philadelphia, Pennsylvania totaled over \$11,000 for approximately eight District personnel to attend. In 2009, the number of food service employees attending the conference in Las Vegas grew significantly to 46 District staff costing the District over \$40,000. Some of the costs for the former Director to attend this conference were provided by a state association where the former Director was a member. In 2010, the District paid approximately \$9,000 for the former Director, six other District personnel, and an unpaid six-month intern to attend the conference in Dallas, Texas. In 2011, the District paid over \$19,000 for approximately 27 District personnel to attend a conference in Nashville, Tennessee.

While annual attendance to a Student Nutritional Conference may be appropriate for a limited number of Student Nutrition Department personnel depending on the cost to the District, auditors question the necessity of this travel based on the number of attendees each year, especially the 46 food service personnel attending the 2009 Las Vegas conference.

The former Food Services Director stated that she typically gave the 17 managers with the Student Nutrition Department the option to attend each year. She felt it was important to help staff understand that changes she was making to the Food Service program were coming from changes in national standards and were not just initiated solely by her decision. In 2009, it appears, according to email correspondence, she had the support of the former Superintendent to expand the number attending the conference to other Student Nutrition Department personnel beyond the manager level.

The former Food Services Director stated that she required those attending the Las Vegas conference in 2009 to attend training sessions and to write a paragraph for every session they attended to show what they had learned from those sessions. The former Food Services Director noted that the writing assignment was her idea and not a District or other requirement and as such she did not maintain those documents. While this appears to be a possible teaching tool for employees, auditors continue to question the necessity for all individuals to attend rather than sending fewer employees and then subsequently developing an in-house training session to educate the remaining food service personnel.

Chapter 1

Findings and Recommendations

The District paid the out-of-state travel expenses for an unpaid Food Services intern.

Auditors also question the necessity and appropriateness of the District incurring the expense for an unpaid intern to attend the 2010 conference in Dallas. The cost for the short-term intern to attend this conference, not including hotel costs, was \$509. According to the former Director of Food Services, the intern worked hard for a six-month period and has since become employed outside of the District in the food service field. The intern's subsequent employment in a food service field does not mitigate this issue and we continue to question the appropriateness of the District paying for the intern to attend the conference.

After examining the travel records associated with these trips and discussing the necessity of the travel with District personnel, auditors conclude the extent of travel expenses incurred through the Food Service Fund appear excessive, unnecessary, and seem to have been initiated at the discretion of the former Director of Food Services with little to no documentation, guidance, or approval by anyone at a higher supervisory level.

Recommendations

We recommend the District initiate stronger oversight of the Food Service Fund and the Student Nutrition Department financial activities. We recommend District management be responsible for providing guidance and management to all its departments. We recommend that all personnel clearly understand the process established in policy to request and gain approval for out-of-state travel and the documentation necessary to be reimbursed for travel expenses.

We recommend the District consider training opportunities in closer proximity to the District to reduce its travel expenses.

We recommend the District closely scrutinize or limit the number of employees allowed to attend out-of-state training conferences or sessions. To be eligible to attend an out-of-state training session, the employee should be a full-time employee of the District and not serve on an interim basis such as an intern.

Further, we recommend if the District determines out-of-state training conferences or sessions would be beneficial to several employees, the District consider sending a limited number of employees to the session and having those employees in turn develop in-house training opportunities for staff members based on the information learned at the conference or session.

Finding 3: The District's small purchase procedures were circumvented.

While examining a sample of Food Service Fund travel expenditures, auditors identified a reimbursement to the former Director of Food Services that included repair work for a District fleet vehicle. The former Director had placed the expense on her personal credit card and sought reimbursement for the expense through a travel voucher. By personally incurring the expense and placing it on her travel voucher the former Director circumvented the District's small purchase procurement procedures.

Chapter 1

Findings and Recommendations

The repair work, performed by a local vendor, included an oil and filter change, tire replacement, wheel alignment, new battery, rotors, and rear brake pads. The total cost of this work was \$1,342.89. According to the District's Small Purchasing Procedures, a purchase between \$500 to \$5,000 "requires an approved Requisition form and Small Purchase Determination and Finding form, with three (3) phone quotes or three prices from competitive catalogs unless approved by the Purchasing Department."

In discussing the expenditure with the former Food Services Director, she stated, as she had with the travel authorizations, that she was not aware of the District policy pertaining to such expenditures. She noted that she had in the past attempted to take the fleet vehicles to the District garage but had been informed that they would not be able to get to work on the vehicle for a period of time and suggested she take the vehicle to an outside vendor to have the repair work completed. The former Director then took the vehicle to an outside vendor of her choosing; however, she did not submit the District's Small Purchase Determination and Finding form, nor did she obtain the three price quotes required by the procurement procedures.

In discussing this expenditure with the Director of Finance and the Director of Operations, they believed the District garage personnel should have been responsible for first examining a fleet vehicle and determining the work that needed to be performed. However, the Director of Finance stated that the District does not have a policy requiring personnel to bring District vehicles to its garage for repair work. Regarding the procurement procedures that should have been followed, the Director of Finance stated that the normal procurement process should have been followed. He agreed that the former Food Services Director that incurred and requested reimbursement for the expense through a travel voucher did not follow the District's procurement process.

Employee expenses reimbursed through travel vouchers included camera purchases.

During this examination, auditors discovered that cameras were also purchased by the former Director of Food Services and the Food Service Operations Coordinator for the Student Nutrition Department. The cameras, just as the fleet repair work, were purchased without following the District's small purchase procedures. In each instance, the payment for the cameras was initially incurred by the individual and then reimbursed by a manual hand-check written from the Food Service Fund.

According to the former Food Services Director, the cameras, six in total, were purchased for the purpose of capturing ideas, techniques, and displays for District schools. She noted that when a new menu item is added it would not be unusual for the District's schools to give different opinions on the new dish. The former Food Services Director explained the cameras can be used at different schools to take pictures of the new menu items, how the food is displayed, and pictures of the kids eating the dish to more objectively evaluate the menu item.

Chapter 1

Findings and Recommendations

Further, the cameras are taken to conferences so that the employees can capture images of new products or equipment that may be available for the District to consider using in its food service program.

The process followed to purchase cameras did not comply with District policy.

While the use of the cameras may serve a beneficial purpose for the District's program, the method by which the purchases were made does not comply with the District's policy. The District's Small Purchasing Procedures, states a purchase between \$0 to \$499, "[r]equires an approved Requisition form." The District records do not indicate a Requisition form was ever submitted for the purchase of these six cameras.

In addition to finding the purchases were made outside of the District's normal procurement process, documentation to support one camera purchase in 2007 indicates that a camera was initially shipped out-of-state to the daughter of the former Director of Food Services rather than being shipped to the District.

According to the former Director of Food Services, she relied on her daughter to assist her in assessing one camera purchased, as she herself did not have a background in technology and felt she needed guidance. She stated this is why she had the vendor ship the camera purchased directly to her daughter's house in March 2007. It is uncertain why the former Director of Food Services did not request her daughter to review the camera specifications prior to making the purchase. While the District does have an internal technology group, the former Director did not believe the District had anyone on staff at that time with specific experience with photography equipment she could consult with to make this purchase.

Recommendations

We recommend the District provide training regarding District procurement policies to personnel authorized to make purchases on behalf of the District to ensure their understanding of the District's policies and procedures. Training should be documented as previously recommended. We recommend the District ensure authorized purchasers are notified immediately of any revisions to the purchasing policies or procedures. We recommend the District consider having authorized purchasers sign a statement attesting that they have received and understand the policies and their responsibility to comply with the District's policies.

We recommend the District develop a written policy regarding the maintenance of its fleet vehicles. The policy should address the responsibility of the District Transportation Department in maintaining or repairing fleet vehicles. We recommend the District also consider the policy include designating a specific employee position as the point of contact for other Departments when fleet services are needed. The written policy, once completed, should be distributed to all personnel.

Findings and Recommendations

Further, we recommend the District require its personnel to confer with internal technology staff before purchasing cameras or other such equipment to ensure the proper equipment needed is purchased. A written policy should be developed to reflect this requirement and once completed, should be distributed to all personnel.

Finding 4: Former Food Services Director did not report stolen property.

In response to auditor questions relating to certain purchases reimbursed to employees through travel vouchers, the former Food Services Director subsequently informed the District that a camera purchased with Food Service Funds was stolen while she was on a trip in Seattle, Washington.

District personnel initially identified three camera purchases were made with money from the District's Food Service Fund. The first two purchases for two digital cameras costing the District a total of \$1,287.96 occurred in April 2007. The third purchase for \$349.72 the District became aware of was made on October 9, 2009. The former Director of Food Services purchased this waterproof digital camera with 3x optical image stabilized zoom and a 2.5-inch LCD screen through an online retailer.

According to the former Director of Food Services, the waterproof camera purchased in October 2009 with District funds had been stolen while she was attending a Child Nutrition Association conference in Seattle, Washington in January 2011. The former Director stated that she used the camera at the conference to take pictures of the new food products that were presented and left the camera on the table during a break. Upon returning from break, the former Director stated the camera was missing and that she reported it stolen to the hotel; however, the camera was not recovered.

The former Director of Food Services acknowledged that she did not report the camera missing to the District after returning from the conference. She noted that in the past she had reported to the District when items were missing from the food service area and was told that the item did not exceed the insurance deductible amount.

While a stolen item may not meet the amount of an insurance deductible, the Director of Finance stated that the District would expect employees to report a stolen item. The District, however, does not currently have a policy requiring personnel to report stolen property. Three additional camera purchases totaling \$1,044.47 for Food Services were ultimately identified by the District.

Chapter 1
Findings and Recommendations

Recommendations We recommend the District create a written policy requiring employees to report stolen property to the District as soon as the employee identifies the theft. We recommend the policy detail the specific District employee position that should be notified of the theft. Once the policy is established, the District should distribute the new policy to all District personnel to ensure employees have been advised of the District’s requirement.

Finding 5:
Controls were
inadequate over
the purchase of
fuel paid for by the
Food Service
Fund.

Auditors tested a sample of travel expenses paid from the Food Service Fund and identified over 70 fuel receipts, totaling \$3,147, used to support reimbursements made to Student Nutrition Department personnel. While the travel vouchers in most occasions indicated the fuel purchase was for use in a District fleet vehicle assigned to that department, the documentation was not required to include odometer readings or any other vehicle identifying information.

According to the Director of Finance, the District buys all its fuel in bulk where it is stored at the bus depots. The District tracks the fuel usage by requiring personnel to use codes they are given to pump the fuel. However, there are two other ways fuel can be obtained. The first involves a fuel card agreement the District has with a vendor for its North end bus lot. The second is the reimbursement of fuel purchased by its food services employees. Regarding reimbursements made to employees, the Director of Finance stated, “for those we have no guarantee that the fuel was used in a district vehicle.”

While the amount of fuel purchases reimbursed to District food service employees is small compared to the overall fuel expenses of the District, the District would benefit by implementing internal controls to strengthen accountability. The District could require certain vehicle identifying information be included on the receipt submitted for reimbursement by employees. This would provide the District an opportunity to review the information prior to reimbursement to identify potential questionable activity.

Recommendations We recommend the District require, at a minimum, that employees record on the fuel receipt the vehicle or license plate number and odometer readings at the time the fuel is being purchased and that this information be provided as support for reimbursing the expense.

Further, we recommend that when possible the District consider alternative methods to fuel the vehicles assigned to the Student Nutrition Department, rather than reimbursing employees for the expense. We recommend the District consider assigning codes to those vehicles and allowing them to be fueled from the District’s bulk fuel storage.

Chapter 1

Findings and Recommendations

Finding 6: District did not properly report personal commuting mileage on employee W2s.

Around 2008, the District made the decision to discontinue the practice of allowing employees the opportunity of being assigned a year-round take home vehicle. Auditors found a lack of understanding existed among District management regarding that decision resulting in two District personnel taking vehicles home for months each year since approximately 2008. These two District employees are the Assistant Superintendent of Transportation and Related Services and the Assistant Director of Transportation. During this time, no benefit was reported on the employees' W-2 tax documents for personal mileage incurred for those years.

The Director of Finance and the Superintendent both stated they were unaware any employee received a take home vehicle during any part of the year. The Director of Finance stated that the District decided four years ago to discontinue the practice and since that time the Finance Department had not included any calculation for commuter miles on employees' W-2 tax documents. The last time this fringe benefit was reflected on an employee's W-2 tax documents was in 2009 for benefits received during the 2008 calendar year.

While the Superintendent was unaware of the use of take home vehicles by any District personnel, she stated that she has only been the Superintendent since July 2011, and the decision relating to the take-home vehicles was made prior to her taking the position.

The Assistant Superintendent stated that he initiated the change in the District's practice years ago because he saw no need for anyone to be assigned a full-time vehicle. He stated that the only reason he found for a take-home vehicle would be during the months when inclement weather could occur.

Personnel had inconsistent understanding of practice regarding take-home vehicles.

After contacting and discussing the District's practice with various other District management personnel, including the Assistant Superintendent of Personnel and Community Engagement and the Director of Operations, auditors found personnel were inconsistent in their understanding and lacked knowledge of the actual practice to be followed by the District for take-home vehicles.

The Director of Operations stated that he recalled participating in a committee to discuss budget issues and that the committee decided to stop allowing District vehicles to be driven home. The committee included the former Superintendent and various representatives from the schools and District wide personnel. While the Director of Operations thought the decision was made for all vehicles, he stated that he had never seen the decision implemented in a formal policy or in writing; therefore, he was uncertain whether exceptions to the decision were allowable.

Findings and Recommendations

While the District has clearly reduced its use of take-home vehicles, and may have attempted to eliminate the practice all together, the District failed to document its decision in a written policy and to adequately ensure employees understood the District's expectations. As a result of its failure to properly document and communicate the requirements regarding take-home vehicles, certain District employees have received a benefit without it being properly reported as required by the Internal Revenue Service.

Recommendations We recommend the District create a written policy regarding the use of District fleet vehicles, including whether those vehicles may be assigned or used to take-home. The policy should detail any allowable exceptions and stipulate the management position responsible to consider and approve potential exceptions. Once the policy is finalized and approved, it should be disseminated to all District personnel.

We also recommend a written process be developed to ensure the District Finance Department is notified if employees are approved to take District vehicles home. This will assist the Finance Department in ensuring the proper financial benefit reporting is made.

Finally, we recommend the District determine whether sufficient information exists to correct prior W-2 tax documents statements to ensure fringe benefits from the use of take-home vehicles have been properly reported.

EXHIBIT

Student Nutrition Department Out-of-State Trips Identified During Testing

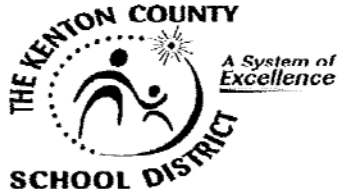
Exhibit 1

Calendar				Costs associated	Number of
Month	Year	Location of Travel	Purpose	with Trip	Attendees
July	2007	Chicago, IL	SNA National Conference	\$6,136.23	6
September	2007	Philadelphia, PA	Unknown *	1,100.09	1
October	2007	Miami, FL	Tour of 2 Miami Schools	374.80	1
October	2007	Atlanta, GA	Software Meeting	534.02	2
December	2007	Albuquerque, NM	Training	408.30	1
February	2008	Los Angeles, CA	Training	442.00	1
April	2008	Phoenix, AZ	University of Arizona Nutrition Conference	2,181.31	1
May	2008	Charlotte, NC	Meeting with Duke	1,914.14	2
May	2008	Chicago, IL	National Restaurant Association	583.92	1
June	2008	Charlotte, NC	Meeting with Duke	381.00	2
July	2008	Philadelphia, PA	SNA National Conference	11,415.67	10
July	2008	Yokohama, Japan	XVth International Congress of Dietetics	4,517.70	1
October	2008	Chicago, IL	ADA 2008 Food & Nutrition Conference & Expo	1,302.89	1
October	2008	Atlanta, GA	Software Meeting	597.00	2
February	2009	New York, NY	Integrative Healthcare Symposium 2009	977.00	1
March	2009	Washington, DC	Unknown *	101.07	1
June	2009	Las Vegas, NV	SNA National Conference	40,418.54	46
October	2009	Denver, CO	ADA Food & Nutrition Conference & Expo	2,450.61	1
February	2010	Washington, DC	Unknown*	445.90	1
April	2010	Charleston, SC	Unknown*	812.88	1
May	2010	Chicago, IL	National Restaurant Association Conference	698.44	1
June	2010	Dallas, TX	SNA National Conference	8,921.44	8
November	2010	Boston, MA	American Dietetic Association Conference	902.06	1
February	2011	Orlando, FL	North American Association of Food Equipment Manufacturers	866.80	1
January	2011	Seattle, WA	Child Nutrition Association Conference	1,227.89	1
June	2011	Nashville, TN	SNA National Conference	19,283.03	27
January	2012	Orlando, FL	North American Association of Food Equipment Manufacturers	537.90	1
March	2012	Washington, DC	Unknown*	620.00	1
March	2012	Napa Valley, CA	Harvard School of Public Health	5,391.48	2
May	2012	Chicago, IL	National Restaurant Association	692.95	1
June	2012	Ghana	UK and KSNA collaborative program	151.78	2
				<u>\$116,388.84</u> **	

* Although not documented in District travel expense reimbursement records auditor has identified Nutrition related conferences hosted by the SNA and ADA in these locations during these dates.

** Additional trip expenses may have occurred that have not been identified through the auditor's sample as the entire population of expenditures were not examined. In addition a portion of associated trip costs may be covered through other organizations for which the District or its staff are associated.

KENTON COUNTY BOARD OF EDUCATION RESPONSE



THE KENTON COUNTY BOARD OF EDUCATION
1055 EATON DRIVE, FORT WRIGHT, KENTUCKY 41017
TELEPHONE: (859) 344-8888 / FAX: (859) 344-1531
WEBSITE: www.kenton.kyschools.us
Dr. Terri Cox-Cruey, Superintendent of Schools

September 14, 2012

Adam H. Edelen
Auditor of Public Accounts
209 St. Clair Street
Frankfort, KY 40601-1817
Attn: Brian Lykins

Re: Findings and Recommendations

Mr. Lykins,

We are in receipt of the Draft document pertaining to examination of Food Service and Transportation. Upon review, we have found we are in agreement with the analysis and summary of most items. We did however, wish to provide clarification on the following few findings/recommendations:

Finding 1

While the former School Food Service Director claims she was unaware of the requirements to follow district policy there were numerous trainings throughout her tenure via annual professional growth academy, administrative seminars, and finance trainings. The Director of Food Service was in her position for 23 years, and although she stated she was ignorant of district travel policies and procedures, we disagree with her regarding this statement. When interviewed by the Assistant Superintendent for Personnel, the Director of Finance, the Director of Operations, and the District Risk Manager, the former School Food Service stated she used to use the travel authorization requests up until a point when she could not locate the forms and that the forms were "cumbersome and complicated."

We are in agreement that the decentralization of controls over Food Service Funds contributed to a risk of questionable expenditures. The decentralization of Food Service has already been eliminated. All expenditures and reimbursements are and will be made through the Finance Department.

The Food Service Fund is examined annually by a CPA firm within the course of their engagement. We will specifically request a thorough review of any manual checks and the existence of proper documentation to support these expenditures.

The District will periodically ensure that all pertinent employees understand their required compliance with existing and revised policies and procedures.

Kenton County Board of Education

Board Members: Karen L. Collins, Chairperson Carl Wicklund, Vice Chairperson Mike Martin Becky Melching Tamara Miano, Esq.
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Finding 2

We concur with all recommendations. The District has already implemented travel request procedures for Food Service employees that mirror District policy. We agree that it is unnecessary for large numbers of employees to travel to the same conference, and that this information can be shared locally. Food Service travel requests will be examined by the Assistant Superintendent of Personnel and approval will be based on value and benefits that can be applied to the Food Service program.

Finding 3

We concur with the reports' findings and recommendations for policies and procedures. Training will be provided annually to employees on purchasing policies and procedures. Employee understanding of purchasing procedures and travel policies will be documented annually.

Finding 4

We concur with the Auditor's recommendation. A policy will be drafted requiring employees to report all stolen property to the Director of Finance, regardless of value.

Finding 5

The reimbursement of employees for direct fuel purchases is not an accepted District practice. The District will draft a policy to specifically limit any direct fuel reimbursement to an employee to those pre-approved by the Superintendent or Director of Finance. If such an incident occurs, the license plate number and odometer reading will be recorded on the receipt.

Finding 6

We concur with Auditor's findings and recommendations. While the district reduced the use of take-home vehicles, the decision was not formed in a written policy. A written policy will be drafted regarding take-home usage of vehicles and disseminated to District personnel. The policy will require that any take-home use of a vehicle by an employee be reported to the Director of Finance. The District will request information from the two referenced employees in this finding and will prepare corrected W-2 tax documents.

If you need anything else from the District, please let me know.

Sincerely,

Terri Cox-Cruey

Terri Cox-Cruey, Ed. D.
Superintendent

Kenton County Board of Education

Board Members: Karen L. Collins, President Carl Wicklund, Vice President Mike Martin Becky Melching Tamara Miano, Esq.
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