



School Finance Officers Across Kentucky May Lack Skills For Their Jobs

By: KRISTINA GOETZ

8 HOURS AGO



(<http://7k2pn2391cd3whpwn41i6y01c1g.wpengine.netdna-cdn.com/files/2014/04/education-photo-resized.jpg>)

Amber Sigman / Louisville Public Media

Jazlyn Caldwell, 5, plays with puzzle blocks on the first day of school last year at Shelby Elementary School, Jefferson County Public Schools.

The Monticello Independent school district bought property with money meant for payroll. Nobody knew the bank balance. And by December 2012, they didn't have enough money to pay employees for the rest of the school year – forcing the state to extend the district an emergency loan.

The failings at Monticello Independent were a perfect storm of problems, according to state officials.

The superintendent and school board fell short in their financial responsibilities. But so did the school finance officer, who had no background or training in finance. He was working in the district's information technology department when he was also charged with overseeing the school system's cash, investments and financial management – a \$7.7 million-a-year budget.

That Monticello employee isn't the only Kentucky school finance officer who may be unqualified for the job.

A new report by the state auditor's office, obtained by the Kentucky Center for Investigative Reporting, reveals the problem is statewide:

- One-third of the commonwealth's school finance officers don't have college degrees in accounting or a finance-related field. Those 58 districts represent more than \$1.3 billion a year in spending.
- In more than 20 percent of districts, finance officers don't have a bachelor's degree in any subject at all.
- Their prior work experience varies widely. Of Kentucky's 173 school districts, 33 have finance officers who are former teachers, principals or superintendents. Of those, 18 have no previous financial or accounting experience or education.
- Less than half reported obtaining a finance-related certification.

The audit shows that the lack of qualified finance officers leaves districts vulnerable to increased risks of waste, fraud and abuse.

Monticello Independent no longer exists. Last summer, it was forced to merge with the larger Wayne County school district (<http://www3.wayne.kyschools.us/>) in south central Kentucky.

Kentucky State Police completed a criminal investigation into the missing money at Monticello Independent and handed it over to the Wayne County Commonwealth Attorney's office, said Trooper Paul Blanton, KSP spokesman. The Commonwealth Attorney's office declined to comment on the matter.

"Monticello is a cautionary tale," said Hiren Desai, associate commissioner for administration and support at the Kentucky Department of Education (https://www.google.com/url?sa=&rlct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCgQFJAA&url=http%3A%2F%2Feducation.ky.gov%2F&ei=dzpHU6uEA_XLsATCyIKABA&usg=AFQjCNFQ8QhwwAFqitzZ6nABKAXkML8rtw&). "I hope we never have a school district in that type of shape. But it was very much related to the fact that the finance officer was a person who was not qualified for that job."

The stakes are high, said Kentucky Education Commissioner Terry Holliday.

"We probably are working with eight or 10 districts right now, three of which are either in state management or in state assistance ... and several more that were very close to being in the same situation as Monticello, verging on bankruptcy."

No mandatory minimum

Unlike teacher certification, Kentucky does not mandate education or experience levels for school finance officers. And while the majority have formal degrees, their areas of expertise aren't always in finance. Some were former teachers. Others included a guidance counselor, a human resources officer, a medical billing employee and a bank teller.

"What we have found is, in a number of cases you have these school finance officer positions that become places to put an old ball coach or a teacher or a former administrator," state Auditor Adam Edelen (<http://auditor.ky.gov/Pages/default.aspx>) said.

The report also found instances where finance officers had other, conflicting jobs or duties. In five districts, for example, the finance officer was also the superintendent.

"In layman's terms it means you've got foxes guarding the hen house," Edelen said.

Money problems

By law, school districts must undergo a financial audit every year. As part of their work, auditors determine if districts have sufficient controls – or not – to prevent, catch and correct financial mistakes, – anything from clerical errors to embezzlement.

Two school districts – McLean County (<http://www.mdean.k12.ky.us/>) and Fulton Independent (<http://www.fulton-ind.k12.ky.us/>) – were identified as being at risk for fraud, abuse or misappropriation of funds because they lacked accounting personnel with the right qualifications, experience and training.

McLean County Superintendent Tres Settle said that since the 2009 fiscal year his district has seen a \$300,000 annual shortfall in state funding. Initially, he said it wasn't economically feasible to hire someone with the necessary knowledge. But he's looking at the possibility of hiring someone or outsourcing the work. In the meantime, his current finance officer, who has a bachelor's degree in accounting, will receive extra training this summer.

The finance officer for Fulton Independent, at the western tip of the state, has held the position since 1995. She has a high school diploma.

Fulton Independent Superintendent Tamara Smith said she's confident in the woman's 19 years of experience and the annual training she receives.

"We get clean audits," she said. "I don't think they've ever had a bad audit."

Hiring a CPA would mean taking more money out of her already tight budget.

"You can't overload your district in administrative costs and take away from student learning," she said.

Edelen, whose office conducted the audit, said hiring people with sufficient skills and training might save districts more than their salaries by identifying waste.

The Kentucky Department of Education asked for the review of school finance officers' qualifications in response to proposed legislation that would require school finance officers after July 1, 2015 to obtain certification through the Kentucky Department of Education. They would also be required to have annual finance training.

With only a few days left in the legislative session, the state House and Senate continue to negotiate on amendments to House Bill 154 (<http://www.lrc.ky.gov/record/14RS/hb154.htm>).



(<http://7k2pn2391cd3whpwn41i6y01c1g.wpengine.netdna-cdn.com/files/2014/04/Monticello-High-School-Trophy-Room.jpg>)

courtesy of Wayne County Museum

Monticello High School

Only one officer has certification

Ron Skinner, deputy executive director of the Association of School Business Officials International (<http://asbointl.org/>), said the role of a school finance officer is to advise the superintendent and instructional leadership team.

Since every state doesn't have mandatory requirements, ASBO International created a certification program several years ago. But earning certification isn't easy.

Applicants have to pass two tests, an accounting exam and a more advanced one in school business management. In order to qualify to take the second one, applicants must have a master's degree in a related field and two years of experience as a school business official, or a bachelor's degree and three years of the same type of experience.

"Seasoned practitioners," those with no bachelor's degree, can qualify, but they must have served as a school business official for at least seven years. It's unusual, Skinner said, for his members to not have at least a bachelor's degree.

Only one school finance officer in Kentucky, in Madison County (<http://www.madisoncountky.us/>), has the certification.

Skinner said school finance officers have to be competent because school systems are becoming more complex.

"They're negotiating with unions in some places," he said. "They're managing retirement systems that have to be in compliance with IRS regulations ... They're looking at their bond ratings and credit ratings as a school system to keep their interest payments low."

Edelen hopes the report will become a catalyst for changes both in state legislation and decisions made by superintendents and school boards.

"We've done 15 audits within the education system," he said. "We have found troubling abuses by superintendents. We've seen bureaucracies that continue to consume resources while diminishing resources that need to be in the classroom."

Meanwhile, the fate of the House Bill 154 remains unclear.

In Monticello, the white brick building at 161 College St. sits deserted.

Wayne County school officials removed its tall black letters that once labeled the independent school board's office -- a reminder of the financial mistakes that snuffed it out.

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