



State of Tennessee

Justin P. Wilson, State Comptroller

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Fayette County Schools Exceeded Budget for Salaries, Health Insurance and Other Expenses

The Fayette County school system overspent its budget, distributed unauthorized salary supplements and failed to put contracts totaling hundreds of thousands of dollars out for bid, an audit by the Comptroller's Division of Local Government Audit shows.

The audit, which was released today, covers Fayette County government operations for the fiscal year that ended last June 30. The audit includes 16 findings with recommendations for improvement in various areas of accounting, bookkeeping and business practices – half of which related to the school system's operations.

For example, auditors found that expenses in the system's general purpose school fund exceeded the amount budgeted for the fiscal year by more than \$1.2 million. The school system made several amendments to its budget during the year that weren't approved by the Fayette County Board of Education or the Fayette County Commission.

For the separate school federal projects fund, expenditures exceeded the budget in six major categories by more than \$300,000.

A substantial portion of the overspending for those two funds – totaling more than \$864,000 - was attributable to salaries exceeding the budget. The salary increases were often taken from line items that were unrelated to payroll expenses. For example, money budgeted for "in-service/staff development" was used to provide a supplement to one school principal.

As a result of the overspending, auditors noted that the general purpose school fund balance decreased from \$1,400,151 to \$295,888 during the fiscal year.

The school system overcompensated employees on premiums for health insurance, which resulted in additional costs of more than \$200,000.

Auditors noted that the school system failed to solicit bids for numerous leased or purchased

items valued above \$10,000, as required by state law. In one case, the school system entered into a lease and supplemental agreements for copying machines that was worth more than \$700,000 without competitive bids.

The school system's management failed to provide adequate oversight and record-keeping for more than \$3.7 million in federal grant funds spent during the fiscal year.

"Clearly, the mistakes identified in this audit are unacceptable," Comptroller Justin P. Wilson said. "Fayette County should take steps necessary to make sure these kinds of issues don't crop up again in future audits. Local taxpayers should feel confident that the money they are providing to educate Fayette County's children is being spent appropriately to provide the greatest possible benefit to those children."

To view the full audit online, go to: <http://www.comptroller.tn.gov/la/>

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