**Auditor of State
Betty Montgomery**

CHARDON LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

NOVEMBER 14, 2006

**Auditor of State
Betty Montgomery**

To the Residents and Board of Education of the Chardon Local School District:

Consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, the Ohio General Assembly provided funding for comprehensive performance audits of selected Ohio school districts. Based on a request from the Board of Education, the Chardon Local School District (Chardon LSD or "the District") was selected as one of the initial school districts to receive a comprehensive performance audit.

The six functional areas assessed in the performance audit were financial systems, human resources, facilities, food service, transportation, and technology. These areas were selected because they are important components of school district operations, which support the mission of educating children, and because improvements in these areas can assist Chardon LSD in addressing its projected deficits.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations contained within the performance audit are resources intended to assist Chardon LSD in improving its financial condition, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Chardon LSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at http://www.auditor.state.oh.us/ by choosing the "Audit Search" option.

Sincerely,

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 14, 2006

Executive Summary

Project History

Section 206.09.12 of Amended Substitute House Bill 66 of the 126th General Assembly (H.B. 66), provided funding for comprehensive performance audits of selected Ohio school districts consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. The Ohio Revised Code also permits the Auditor of State (AOS) to review any programs or areas of operation in which the Auditor believes that greater operational efficiency, effectiveness, and accountability can be achieved. Based on a request from the Board of Education, the Chardon Local School District (Chardon LSD or the District) was selected as one of the initial school districts to receive a comprehensive performance audit.

The performance audit included reviews of the following operational areas:

- Financial Systems,
- Human Resources,
- Facilities,
- Food Service,
- Transportation, and
- Technology.

District Overview

Chardon Local School District is located in northeastern Ohio, approximately 40 miles east of Cleveland. The District includes the City of Chardon, the Village of Aquilla, and the townships of Munson, Hambden, Chardon and part of Claridon. The City of Chardon has a population of approximately 5,000 people. The District provides education to approximately 3,310 students in grade K-12.

The Chardon Board of Education is an elected five member body, as defined by Section 3313.02 of the Ohio Revised Code. The Board serves as the taxing authority, contracting body and policy maker, and ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollars.

During FY 2005-06, Chardon LSD operated 6 school buildings: four elementary schools (grades K through 5), one middle school (grades 6-8), and one high school (grades 9-12). The District reported 337.4 full-time equivalent (FTE) employees consisting of 14 FTE administrators, 185.7

FTE teachers, 8.1 FTE other professionals, 28 FTE support staff, and 101.6 FTE operations staff. In FY 2004-05, the District met 23 of 23 academic performance indicators established by the Ohio Department of Education (ODE) and therefore, was categorized as an excellent district.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work took place between October 2005 and July 2006. The goal of the performance audit process was to assist Chardon LSD management in identifying cost saving opportunities and improved management practices. The ensuing recommendations comprise options that Chardon LSD can consider in its continuing efforts to improve and stabilize its long-term financial condition, and enhance operational efficiency and effectiveness. This performance audit assessed the key operations of the District in the areas of financial systems, human resources, facilities, food service, transportation, and technology. Major assessments included the following:

- The District's October 2005 five-year financial forecast, including the reasonableness of the underlying assumptions and the adequacy of the supporting documentation;
- The District's staffing levels, wages and benefits, and collective bargaining agreements;
- School building capacity and utilization as well as custodial and maintenance operations;
- Food service operational ratios, such as revenues and expenditures per meal equivalent, and meals per labor hour;
- Key transportation operational statistics, such as riders per bus, cost per rider, and cost per mile; and
- The provision and use of technology within the District.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from Chardon LSD and other school districts. Throughout this report, comparisons are made to the ODE similar district average and/or the average of three peer school districts. A listing of the ODE similar districts for Chardon LSD is available on the ODE web site at: http://webapp2.ode.state.oh.us/similar_districts/.

The three peer school districts selected for this audit were Anthony Wayne Local School District (Anthony Wayne LSD), Canfield Local School District (Canfield LSD), and Highland Local School District (Highland LSD). These districts were selected as peers based on reviews of various demographic information and input from Chardon LSD administrators. Criteria included geographic size, average daily membership, socioeconomic indicators, population density, and real property valuation. Information from ODE, the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics

(NCES), and other related service industries was also used for comparison purposes. Additionally, comparisons of the District's financial, operational and other statistical indicators to the peers and other applicable sources were based primarily on FY 2004-05 information.

The performance audit process involved significant information sharing with Chardon LSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from Chardon LSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to the various recommendations for inclusion in this report. AOS reviewed and considered the written comments when developing the report. Where warranted, AOS modified the report based on the District's comments.

The Auditor of State and staff express their appreciation to the Chardon LSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are key noteworthy accomplishments that were identified during the course of the performance audit.

Financial Systems

- **Strategic Planning:** Chardon LSD invests significant effort and detail into its strategic plan. The District developed a five-year strategic plan that provides vision and direction. The strategic plan has annual goals and objectives, as well as strategies the District intends to employ to reach desired objectives. In addition, the District involves parents and the community in the strategic planning process.

- **Comparison of Actual to Projected Results for FY 2005-06:** The District completed FY 2005-06 with a positive fund balance of approximately $769,000, while it originally projected a negative ending fund balance of approximately $107,000, absent new levies. This was primarily due to the District's revenue and expenditure projections being 2.6 percent higher and 1.3 percent lower, respectively, than the actual revenues and expenditures. This shows that the Treasurer employed a relatively sound, yet conservative, forecasting methodology for FY 2005-06.

Human Resources

- **Regular Education Staffing:** Chardon LSD maintains an average of 25.8 students per regular education teacher, higher than the similar district and peer averages of 24.2 and 23.6, respectively. Likewise, when including only the regular student population, the District has an average of 21.0 students per regular teacher, while the similar district and peer average ratios are 20.1:1 and 19.7:1, respectively. Despite the higher student-to-teacher ratios, the District achieved an excellent rating from ODE by meeting all 23 standards on the State report card in FY 2004-05. Additionally, the District's performance index score was 103.4 out of 120 in FY 204-05, slightly higher than the peer average of 103.2.

Facilities

- **Energy Management:** Although the District's utility costs per square foot are high, it has made efforts to start controlling energy costs through participation in the Energy for Education purchasing program of the Ohio Schools Council (OSC) and installing a computerized energy monitoring system.

- **Building Utilization Rates:** Chardon LSD is optimizing the capacity of its school buildings while achieving an "Excellent" academic rating as defined by the Ohio Department of Education for the last four years, beginning with school year 2001-02.

- **Security:** The District has maintained a focus on security of the buildings and grounds and has security protocols and plans for each school. A monitored security system with controlled access has been installed at all buildings, and motion detectors have been installed in appropriate places. Computers and computer rooms are secured by a separate security system. All buildings have fire alarms and fire drills are conducted in accordance with ORC § 3737.73.

Food Service

- **Operating Manual:** The District has a comprehensive food service operations manual that reflects Board approved policies. It is up-to-date and available to all food service employees to reference as a training tool. The manual also reflects appropriate ORC and OAC sections and covers essential items related to food service, such as cash control, receipt of goods, inventory procedures, record keeping, sanitation and food safety, employee safety, and procedures for emergencies or injuries.

- **Prior Evaluations:** The District received an ODE evaluation of its food services program in 2001 and used the results of the program to improve its food service operations by enhancing

production reports, better protecting the identity of students receiving free and reduced price meals, implementing sanitation training, and reducing the fat content of its meals. The evaluation was available to districts free of charge through the Office of Child Nutritional Services.

Transportation

- **Spare Buses:** Chardon LSD had the lowest percentage of spare buses when compared to the peer and similar district averages.

Technology

- **Infrastructure:** The District's network and operating platforms conform to recommended practices by having Microsoft Windows running on total fiber connections. According to Total Systems Integration, Inc., fiber can easily provide up to 10 Gigabits per second (one billion bits of data per second), much higher than T-1 lines which provide 1.5 Megabits per second (one million bits of data per second). With the implementation of an all fiber network, the District also avoids annual costs related to leasing T-1 lines. Considering that the District uses less than 5 percent of its total bandwidth even during peak hours, it maintains more than sufficient bandwidth to handle its daily operations. This provides high speed connections to all network users. This would also enable the network to support a Voice over Internet Protocol (VOIP) system to reduce District telecommunications expenditures, if the District decides to implement VOIP in the future (see **Issues for Further Study**).

- **Communication:** The District effectively and efficiently uses web technologies such as the Internet and intranet sites, as well as e-mail to improve and enhance communications between groups, such as schools, other districts, the State, parents, and the community. Administrators make continuous use of e-mail to supplement communication of policies and provide information to avoid the need for costly meetings. The District electronically posts Board approved policies and procedures on its website as well as Board agendas.

<u>Key Recommendations</u>

The performance audit contains several recommendations pertaining to Chardon LSD operations. The following are the key recommendations detailed in the report:

Financial Systems

- Chardon LSD should analyze and use the financial recovery plan outlined in **Table 2-5** to evaluate the effect of recommendations presented in this performance audit on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its future financial difficulties. This is particularly important because the District is still projected to experience negative ending fund balances when including the impact of the performance audit recommendations. Other options to further reduce expenditures include reducing regular teacher and educational service personnel positions, providing transportation services closer to State minimum standards; as well as taking additional measures to address the high salary levels across the District (see **human resources**). The District should discuss such options with the community to determine stakeholder needs and desires regarding service levels. If the community prefers that current service levels be maintained, additional revenues may be necessary to stabilize the District's financial condition. When seeking new revenue, Chardon LSD should demonstrate accountability by sharing information with the public concerning how new revenue will be spent and how the levy will benefit future operations.

- Chardon LSD should develop formal policies and procedures that address the development of the five year forecast, which would help to ensure reliability and consistency. In accordance with such policies, the Treasurer should actively solicit input from key stakeholders, including the Superintendent and Board members, as the forecast and supporting assumptions are being developed. Likewise, Chardon LSD should identify stakeholder needs, concerns and priorities by promoting stakeholder participation throughout the budgeting process. Lastly, the District should consider developing a revenue manual to promote a stronger understanding of its funding sources.

- The Treasurer should explain the basis for the District's projections in detailed assumptions accompanying the five-year forecast. Additionally, the Treasurer should ensure the assumptions supporting the projections are presented consistently throughout the forecast document.

- The District should prepare a formal budget based on items suggested by GFOA and provide a clear and thorough understanding of the budget for its stakeholders. Further, adding the

District's current five-year forecast along with the budget proposal would help illustrate how the current budget relates to the District's future financial condition.

- Chardon LSD should include specific benchmarks and measures in its strategic plan to easily and objectively measure attainment of its stated goals, and monitor and communicate progress in the achievement of the strategic plan goals on a yearly basis. Furthermore, the District should develop and use performance standards and measures to ensure a high level of operational efficiency. Performance measures should also be included in the District's budget document.

Human Resources

- Chardon LSD should seek to address its high District-wide salary levels. Specifically, the District should consider addressing higher administrative compensation levels by reducing the number of employees receiving the retirement payment benefit and eliminating or reducing the retirement payment benefit for all administrators. By eliminating payment of the employee share of retirement benefits, the District would save approximately $147,000 annually. In order to address the high certificated and classified salary levels, the District should consider negotiating new salary schedules and limited cost of living adjustments (COLAs). Although employees agreed to no COLAs for FY 2005-06, taking measures to further address high the District-wide salary levels is particularly important based on the District's projected financial condition.

- The District should consider negotiating a requirement for all full-time employees to contribute at least 10 percent of the health insurance premiums, and eliminate the caps on employee contributions. Likewise, the District should seek to require all full-time certificated, clerical and administrative staff to contribute 20 percent towards the dental insurance premiums. In total, the District would save approximately $119,000 per year by requiring 10 and 20 percent employee contributions towards health and dental insurance premiums, respectively.

- The District should implement health insurance premium cost controls through its insurance committee, such as adjusting plan benefits and developing health care management/wellness programs. More specifically, the District should consider negotiating for an increase in employee annual deductibles and co-pays for office visits, prescriptions, and inpatient hospital care; and for the establishment of at least a three tier system for prescription drugs and an appropriate threshold for out-of-pocket maximums and maximum lifetime benefits. Assuming the District reduces its single premium to the SERB reported average premium of $419.64 for the Cleveland region by altering plan benefits, it would save approximately $11,800 in annual premium costs. Chardon LSD should also consider increasing the work hour threshold for full benefits for classified staff and the corresponding pro-rated scale for

part-time employee contributions. Furthermore, the District should identify opportunities to aggregate its purchasing power and evaluate the cost-effectiveness of being self-insured by periodically obtaining competitive proposals for insurance from other health care administrators and providers, including consortiums.

- Chardon LSD should consider negotiating the elimination of class size restrictions and mandatory increases in teacher aide positions when exceeding the restrictions, as well as restrictions on student contact time. Based on the three year average of expenses, the District would save approximately $19,200 annually by eliminating the provision requiring additional support staff when exceeding class size restrictions.

- The District should consider negotiating to reduce or eliminate the annual sick leave incentives. The District should also seek to lower the incentive payments provided for classified staff at retirement. If the District only provided sick leave incentives for perfect attendance, it would save approximately $18,000 annually.

- The District should consider establishing policies to include prohibitions against pattern abuse of sick leave. To identify potential pattern abuse and better ensure the appropriate use of sick leave, the District should closely monitor sick leave usage on a periodic basis. In future negotiations, Chardon LSD should consider reducing the threshold in the classified collective bargaining agreement requiring a physician's verification, and develop a similar policy requiring a physician's statement for remaining staff. The District should ensure that all employees are covered under similar sick leave policies, including non-bargaining unit staff. If the District chooses to continue to offer a sick leave incentive, it should actively promote it in an effort to minimize sick leave use and track the impact of the incentive on reducing sick leave usage. Assuming that the District reduces sick leave per staff by five percent as a result of implementing this recommendation, the corresponding decrease in substitute costs would be approximately $21,700 per year.

- Chardon LSD should consider purchasing an automated HR management system and substitute calling system. These systems would enable the District to function more efficiently, and to conveniently report and track data. In conjunction with increasing the use of technology, the District should consider centralizing key human resource activities among fewer positions. Doing so could enhance accountability and better ensure that human resource functions are performed efficiently and effectively. The net costs related to purchasing both an HR software system and a substitute calling system would be approximately $36,000 in one-time costs and $6,300 in annual costs.

Facilities

- Chardon LSD should consider reducing at least 5.0 custodial FTEs and reassigning 1.85 custodial FTEs to the grounds function to bring custodial and grounds workload ratios more in line with the NCES benchmarks and AS&U medians. In addition, the District should review key variables, including building square footage and the assignment of grounds duties to custodians, to reallocate the remaining custodial staff to its buildings in a manner that equitably distributes the custodial workload. If the District reduces 5.0 custodial FTEs, it would save approximately $210,000 annually in salary and benefits costs.

- The District should consider using the Cooperative Purchasing Program of the Ohio Schools Council (OSC) to purchase supplies and materials, and work with the OSC to rectify the prior problems and challenges related to OSC's program. For supplies not available through OSC, the Manager of Operations should purchase supplies in bulk or seek to establish joint agreements with local governments, and negotiate to have the supplies delivered to the District as needed or on an agreed upon schedule. However, before deciding to purchase supplies from any source, the District should review and compare pricing from multiple sources (including consortiums). Furthermore, the District should monitor supply usage and costs via a computerized maintenance management system. In order to better ensure that items are purchased in a competitive environment, the Board should consider adding another threshold to its purchasing policy. The Board should also revise its purchasing policy to encourage District administration to independently purchase supplies and materials in bulk from independent vendors where appropriate (e.g, supplies not available from the OSC). If the District was able to reduce supply and material expenditures per square foot by half of the difference between current costs and the AS&U medians as a result of implementing this recommendation, it would save approximately $60,000 annually.

- Chardon LSD should seek to negotiate the elimination of the following contractual provisions:

  ° Offering overtime to regular employees before a substitute is used;
  ° Paying overtime to inspect buildings on the weekends and board holidays, and double time to inspect buildings on legal holidays and Sundays; and
  ° Paying overtime for working the North East Ohio Education Association (NEOEA) day.

  To further minimize overtime, Chardon LSD should implement flex/staggered schedules, consider conducting building inspections on an as needed basis, and closely monitor leave usage. By implementing the above mentioned strategies, the District should be able to reduce total overtime costs. For instance, if Chardon LSD reduced overtime costs to 5 percent of personnel expenditures, it would save approximately $35,000 annually.

- Chardon LSD should consider purchasing a computerized maintenance management system (CMMS) that is compatible with the District's other operating systems and software. The cost of a computerized maintenance management system ranges from $195 to $19,600 depending on the number of features.

- The District should develop a formal energy management program that includes detailed energy policies and other energy efficient practices, and defines broad cost and performance objectives. Chardon LSD should also communicate with and train its staff about its energy management program. Taking these measures could help Chardon LSD save approximately $57,000 annually in utility costs.

- Chardon LSD should periodically review actual and projected enrollment, and revise its enrollment projections each year. Chardon LSD should use the enrollment projections to help project future State funding allocations and other related items in its financial forecasts, determine whether additional teachers are needed to accommodate the increase in students and the number to hire, and evaluate building usage and capacity.

- The District should use a methodology, approved by the Board of Education, for determining capacity and utilization using all available classroom space. The District should closely monitor its building utilization rates along with changes in enrollment and take appropriate measures to ensure it has sufficient space to house its student population.

Food Service

- The District should review its standard meal and ala carte offerings to identify changes that would increase participation while ensuring the appropriate level of nutritional value of its meals. The District should also consider purchasing a point of sale (POS) system through a competitive process, implementing direct certification of student eligibility for the free and reduced lunch program, reviewing the scheduling of classes, and maintaining current meal prices for the short-term to help increase student participation and achieve other operational improvements. If the District does not increase participation to optimal levels, it should reduce labor hours to improve operational efficiency. The District should also consider reallocating food service staff and adjusting hours to equitably staff each building. Assuming Chardon LSD increased the number of meal equivalents to a level that resulted in a meal per labor hour ratio (MPLH) similar to the peer average by increasing participation, it would increase revenues by approximately $170,000 annually. Implementing a POS system District-wide would result in approximately $29,000 in one-time costs.

- The Operations Manager should work with the Treasurer to ensure appropriate expenditures are charged to the Food Service Enterprise Fund and to develop a five year financial projection for the District's food service operations. If the District charged utility, trash

removal, and custodial supply expenditures to the food service operations, it would increase annual expenditures in the Food Service Fund by approximately $44,000 annually with a corresponding decrease in General Fund costs.

- Chardon LSD should develop a five-year strategic plan for food service operations that is tied to its operational goals, finances and budgeting process, and is updated annually. In conjunction with the development of a strategic plan and five-year financial projections, the Food Services Supervisor (FSS) should develop an expanded set of performance measures. The Treasurer's Office, Manager of Operations, and Food Service Supervisor should collectively evaluate these measures on a regular basis.

Transportation

- If the District continues to encounter financial difficulties, it should consider following the minimum requirements for student transportation. More specifically, Chardon LSD could choose to transport only school riders in grades K-8 who live more than two miles from school. However, prior to reducing transportation services, the Board and administrators should review strategies to improve efficiency and save costs without changing service levels, and carefully review the walking conditions throughout the District to ensure the safety of students that would be forced to walk to school. The District should also work with ODE to determine any potential reductions in State reimbursement. If the District decides to stop transporting 1,250 high school students, it would save approximately $588,000 annually by eliminating 12 buses. In addition, this would result in a cost avoidance of approximately $720,000 (average of $144,000 over five years) by not replacing the 12 active buses.

- The District should update its policy to reflect actual transportation practices, and identify specific, long-term safety hazards that exist within the District as well as the process for addressing temporary hazards. It should also review the transportation policy annually and amend it as necessary to reflect changes to service levels based on its financial condition, hazards, enrollment and pupil residence.

- Chardon LSD should consider eliminating five older, higher-mileage, and more costly to maintain active buses and five bus driver positions by increasing the number of runs made per bus and, in turn, maximizing bus ridership. This can be accomplished by staggering bell schedules at the elementary schools, determining whether the middle and high school bell schedules should be further staggered, and altering its routing. To help identify appropriate routing changes that increase efficiency and facilitate better monitoring of operations, the District should consider purchasing and using routing software. By reducing five buses, the District would be able to save approximately $123,000 annually in personnel and bus insurance costs, and would avoid approximately $300,000 in accumulated bus replacement

costs.   It could cost approximately $10,000 to $20,000 to purchase routing software and approximately $2,500 annually to maintain the software.

- Chardon LSD should strive to increase the number of payment-in-lieu-of transportation agreements as an alternative to providing transportation. In order to maximize savings and in conjunction with reviewing routing practices, the District should establish payment-in-lieu of transportation agreements with riders that would enable reductions to its fleet (e.g., buses solely transporting non-public riders). Chardon LSD also should renegotiate its payment-in-lieu contracts with parents of Type-IV riders to decrease the per contract cost. Based solely on the current 59 Type-IV riders in the District, a payment of $135 per rider (the similar district average cost) could save the District approximately $1,600 each year.

- At a minimum, the District should adhere to Board policy by comparing prices from at least three fuel suppliers, including consortiums, prior to making purchases.   It should also consider seeking competitive bids or issuing RFPs to multiple vendors for the procurement of fuel and periodically compare prices to determine whether it should consider becoming a member of other fuel purchasing consortiums. The District should do likewise when purchasing transportation-related supplies. Additionally, the District should formalize its agreement via a contract to minimize risk and better ensure mutual adherence to established expectations for service.   Further, Chardon LSD should develop formal processes and templates for requests for proposals (RFP) and requests for qualifications (RFQ) for all District departments. If Chardon LSD can reduce its supply expenditures per bus to a level commensurate with the FY 2005 similar district average, it could achieve annual cost savings totaling $9,200.

- The District should consider reducing 1.0 FTE mechanic position, which is consistent with reducing its fleet, effectively planning for bus replacements, and increasing the use of its fleet maintenance software. Furthermore, the District should eliminate the fueler/washer/mechanic helper position, as these duties can be transferred to the bus drivers or mechanics. If the District reduced 1.0 mechanic FTE and eliminated the fueler/washer/mechanic helper position, it could realize annual cost savings of $90,000 in salaries and benefits.

Technology

- Chardon LSD should complete a total cost of ownership (TCO) assessment of technology projects and purchases, and document them accordingly to inform the Board and District administration of the total potential costs related to technology projects and purchases. To aid in calculating total cost of ownership, the Technology Coordinator (TC) should consider using the free web-based tool developed by the Consortium for School Networking and the Gartner Group, Inc.

- Chardon LSD should revise the District strategic technology plan by linking goals for the upcoming year to the technology budget and completing TCO assessments, thereby helping ensure its goals are realistic and achievable. The technology plan should also include a formal replacement cycle for computers (e.g., every five years), and measurable benchmarks and performance indicators for each strategy to better assess attainment of stated goals and strategies. By replacing computers every five years, the District would incur costs of approximately $118,000 annually.

- The District should define technical support staffing needs in the technology plan and establish staffing benchmarks to adequately plan for the proper amount of technical support (e.g., maximum of 500 computers per technology FTE).

- Chardon LSD should consider centralizing the District-wide grant application and research process within one appropriate position. However, the TC should devote a portion of his time to identifying potential grant sources for technology, forwarding such information to the position responsible for applying and further researching grants, and coordinating with the centralized grant position as necessary in the process.

- The TC should compare prices from multiple suppliers and document the comparisons to ensure the District obtains the "best" price for technology purchases. The TC should also become a member of applicable consortiums and consider purchasing supplies from consortiums, dependant upon price comparisons. When appropriate, the District should solicit formal competitive bids, RFPs, or RFQs for technology-related purchases. The District should formalize its agreements with suppliers via a contract to minimize risk and better ensure mutual adherence to established expectations for service.

- Chardon LSD should consider evenly allocating computers to its school buildings, with a goal of maintaining an overall ratio of 5 students per computer. Additionally, the District should consider providing remote access to appropriate users.

- The District should create a standardized hardware and software policy to include a list of uniform hardware and software products. In order to effectively research various software products, the TC should document and communicate the information that needs to be provided by requesting parties.

- The District should create a written disaster recovery plan. This plan should contain the key elements of a disaster recovery plan mentioned in the NCES criteria.

Additional Recommendations

The following are additional recommendations from the performance audit.

Financial Systems

- The Treasurer should update forecast projections to reflect the impact of House Bill (HB) 66 on the District's tangible personal property taxes and state funding. Although the net impact on revenues should be neutral due to the hold harmless clause, this would allow the District to determine the amount of revenues that will be lost when the reimbursements are no longer available. Additionally, reviewing the key components that comprise State funding would strengthen the District's forecasting methodology, including components affected by legislative changes.

- The Treasurer should record all revenues from property reappraisals in real estate taxes instead of other revenues. Accordingly, the Treasurer should only consider the items comprising other revenues when developing future projections for this category.

- The District should closely examine the spending patterns and cost reductions recommended in the **human resources, facilities, transportation, food service** and **technology** sections of this report in an effort to regain financial stability. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education.

- The Treasurer's Office should develop cross-training opportunities for its employees, track such training, obtain feedback from employees about the training, and identify the impact of cross-training on office operations.

- Chardon LSD should develop a comprehensive budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks.

- Chardon LSD should develop financial policies that address stabilization of funds; debt management; use of one-time and unpredictable revenues; revenue diversification; and contingency planning. The debt management policies should include debt level and capacity, types, limitations of outstanding debt, structural features, and legal and statutory limitations on debt issuance.

- The District should periodically assess financial accounting and reporting processes to increase efficiency and eliminate possible duplication of duties. The District's policies and procedures should also be updated to reflect any changes made to financial processes.

- Chardon LSD should establish written procedures for risk management to help ensure compliance with applicable laws and help the District effectively perform activities related to risk management.

- Chardon LSD should adopt a Board-approved ethics policy that requires District staff to conduct themselves in a manner that avoids favoritism, bias, and the appearance of impropriety.

- Chardon LSD should consider supplementing the District's comprehensive annual financial reports with popular annual financial reports (PAFR). Issuance of a PAFR will help keep the community informed of the District's financial condition and encourage community members to provide feedback in order to improve the format and information provided in the report.

- The District should consider implementing a purchasing card (p-card) system and establishing appropriate controls on the use of p-cards. District controls should include the establishment of appropriate policies and procedures when implementing the p-card purchasing system.

- The District should provide additional financial documents and information on its website. Doing so would increase awareness of the existence of these documents and information.

- The District should develop and implement formal procedures outlining and guiding the vendor payment process. The formal procedures should help with developing time standards for the payment process, prioritizing payments to vendors offering discounts, tracking due dates, and performing post-audits of vendor payments to ensure compliance with the formal procedures.

- Chardon LSD should expand the use of direct deposit and consider negotiating mandatory direct deposit in future union agreements.

Human Resources

- Chardon LSD should establish a formal staffing plan to address current and future staffing needs. By developing a staffing plan, the District would ensure that it is meeting State requirements, and has adequate staffing to serve students and efficiently operate its various departments.

- The Superintendent and Board should consider establishing a formal system for developing, reviewing and updating the District's policies. In addition, the District should broadly

communicate the changes made to existing policies and the development of new policies through suitable mechanisms.

- Board members should review pertinent laws and District policies and procedures to identify areas where they need additional training to effectively carry out their roles and responsibilities. They should also discuss their questions and concerns regarding Board orientation and training with the Superintendent.

- The District should continue to use BWC resources to improve work place safety and reduce claims and costs, with the ultimate goal of joining the Group Rating plan to achieve maximum savings. In addition, the District should closely monitor workers' compensation claims and premiums to ensure it is continuing to improve the program and reduce costs.

- Chardon LSD should consider negotiating a reduction in the number of paid holidays, and the elimination of overtime pay for the North East Ohio Education Association (NEOEA) day and for building checks. The District would save approximately $2,600 annually by eliminating the overtime clause.

- The Board and District administrators should seek periodic guidance and training on labor negotiations and labor relations.

- Chardon LSD should develop a formal process and schedule to review all position descriptions and update them as needed. This would ensure that qualifications and responsibilities are accurate and current.

- The District should develop a comprehensive human resources employee handbook for distribution to employees that contains all relevant personnel policies and procedures from its policy manual, and references applicable personnel provisions in the collective bargaining agreements. Furthermore, the employee handbook should come with a form for employees to sign acknowledging the receipt and understanding of the District's personnel policies and procedures.

- Chardon LSD should either update District policy to reflect the current practice of selecting teaching and administrative applicants for interviews or follow its established policy. The District should also establish a formal hiring process for classified positions that coincides with its process for hiring teaching and administrative positions.

- The District should track employee turnover, conduct employee exit interviews, and survey employees to gauge satisfaction levels. Additionally, the District should review the survey administered by AOS (see **appendix 3A**) and begin to address problem areas.

- Chardon LSD should assign the responsibility for maintaining all personnel files to one position, centrally store all personnel files, and expand its policies and procedures for personnel records. Additionally, the District should consider negotiating to require formal evaluations for all teachers at least annually. Based on the AOS survey of District employees, Chardon LSD administrators should ensure that they follow up with staff on recommendations for improvement made in the evaluations.

Facilities

- Chardon LSD should formalize appropriate custodial and maintenance procedures in a manual to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. In addition, the District should provide training on the procedures and periodically review staff performance. The cost of an International Sanitary Supply Association (ISAA) manual is $60 for non-members and $45 for members. In addition to this manual, ISSA has several other training programs for custodial staff.

- Chardon LSD should develop performance standards for commonly repeated tasks to assess staff performance, and to ensure that all schools are maintained efficiently. Additionally, the District should use peer and industry benchmarks to more objectively measure maintenance and custodial operations.

- The District should review and update job descriptions for the Operations Department.

- Chardon LSD should use the Ohio School Facilities Commission report as a starting point to initiate an audit of its facilities. The District should annually audit its facilities to ensure accurate and appropriate levels of inventory and to provide information for short- and long-term decisions, including the appropriate time to replace aging equipment.

- The District should develop a comprehensive facility master plan by using the plan developed by OSFC and the District's own strategic plan as a foundation, updating those plans to reflect current conditions, and obtaining input from appropriate school personnel and the community. Chardon LSD should develop a five-year capital improvement plan that is linked to the comprehensive facility master plan. The capital improvement plan should be reviewed on an annual basis to facilitate the completion of the most critical repair work and equipment replacement. Furthermore, the Board should work with District administration in developing policies to help guide decisions about capital acquisition, maintenance, replacement, and retirement.

- Chardon LSD should implement an annual customer feedback system to identify and implement program improvements for the Operations Department. The District should review the survey administered by AOS (see **appendix 4A**) and begin to address problem areas.

- Chardon LSD should develop formal written procedures for new employee orientation based on the training suggested by NCES, include these procedures within a manual, and include new employee training responsibilities with the appropriate position(s).

- The District should consistently plan and implement ongoing training programs for custodial and maintenance employees. The District should also consider negotiating training into contracts, where appropriate, so that vendors provide necessary training.

Food Service

- The Food Service Supervisor should work with the Superintendent, Treasurer, and Manager of Operations to expand the District's purchasing policies and procedures. Specifically, the District's purchasing policies and procedures should include examples of purchasing forms with related instructions, proper methods for changing limits and tracking/reconciling the balances remaining on blanket purchase orders, procedures for updating the current vendor list, an explanation of the process for submitting requisitions, and the steps involved when submitting purchase orders (POs) exceeding the blanket purchase order limit.

- During future negotiations, the District should seek to eliminate or reduce the uniform allowance for food service employees. If the District eliminated the uniform allowance for food service employees, it would save approximately $6,900 annually based on payments in FY 2005.

- Chardon LSD should develop formal methods for periodically soliciting input from students and other relevant stakeholders (e.g., parents and District employees), such as an online survey on the District's website. As the Food Service Department administers subsequent surveys, it should track progress in addressing the issues identified in them and incorporate survey results in its strategic plan.

- The FSS should work with the Manager of Operations to develop a preventive maintenance program for food service equipment and ensure scheduled cleaning of all refrigeration units. In addition, the District should develop a multi-year equipment replacement plan that includes disposal of obsolete/surplus equipment according to District policy and links to a District-wide capital improvement plan.

- The District should periodically assess the benefits and costs of contracting for food services, via a competitive request for proposal (RFP) process.

- Chardon LSD should formalize its training program by documenting dates, topics of instruction, and employee attendance. The FSS should also obtain formal feedback from the food service employees attending each training session, and ensure that the skills taught at training sessions are effectively applied by employees in their daily job functions.

Transportation

- The District should maximize the use of its fleet maintenance software, including the establishment of a comprehensive inventory program that tracks relevant information for equipment and parts, including expected life and salvage value. To consolidate its inventory tracking systems, the District should determine the feasibility of integrating its fleet inventory system with the State system that it is currently using to track physical assets.

- Chardon LSD should establish formal procedures for filling out District T-forms. This will help to ensure that reports are accurate, comply with ODE instructions, and are completed in a timely manner. It will also help to ensure that the District receives all State reimbursements for which it is eligible. Furthermore, the Transportation Supervisor and a representative from the Treasurer's Office should consider attending one of the ODE's free training sessions on completing transportation forms.

- Chardon LSD should establish formal policies and procedures that outline the tracking and use of fuel, including policies that indicate who can access fuel and explicitly prohibit the personal use of fuel and vehicle parts. Likewise, the District should establish formal policies and procedures for the environmentally sound disposal of materials.

- Chardon LSD should establish a formal policy on soliciting competitive pricing for the vehicle liability insurance program and explore other cost-effective insurance programs. The District should also review its coverage levels according to its risk tolerance level, and discuss them with its insurance provider prior to making any plan changes.

- The District should establish a formal bus replacement plan to ensure that it is properly planning for the purchase of new buses. Reducing five buses would enable the District to avoid replacing buses during the forecast period, as would potential changes to its transportation policy.

- In order to reduce overtime costs, the District should adjust schedules to cover for planned absences and consider requiring the Head Mechanic to cover for other mechanics' leave only when absolutely necessary. Taking measures to address the District's high sick leave use and

eliminating the mechanic standby clause during future negotiations could also help reduce the need for the Head Mechanic to incur overtime to cover for absences.

Technology

- Chardon LSD should document formal procedures for prioritizing trouble tickets for technology staff to better provide District-wide technology support. Furthermore, the District should develop and implement a survey measuring the performance of the technology support and reliability of its systems at the close of every trouble ticket.

- The District should consider a program that trains interested students in technical support and allows the use of these students to assist in supporting technology throughout the school year, but only in a peripheral manner and as part of their instructional program.

- Chardon LSD should create documented guidelines and policies for acceptable technology donations.

- The District should offer additional professional development programs designed for Technology Department employees, which could help improve technology services and help technology staff gain additional knowledge and exposure to different software programs and systems. In addition, the District should consider the Bureau of Labor Statistics (BLS) criteria as the minimum hiring qualifications for future technology staff and develop a job description for the Contracted Technical Support (CTS) position.

- Chardon LSD should create a technology development program which describes the amount of ongoing training and basic technology competencies necessary for staff members. This would better ensure that employees are provided with appropriate training and maximize the use of available software.

- The District should document security controls, standards and procedures in a manual, and electronically track its inventory in-house or through the Lake Geauga Computer Association (LGCA).

- The Technology Department should compile written standards for the proper use of all District technology equipment. Specifically, guidelines that describe appropriate and inappropriate uses of District computers, FAX machines, and copiers should be communicated to all users.

- The technology plan should clearly state how teachers obtain technical support, expected response times, and how students will be involved in providing technical support. Along with customer surveys, the District should track and use performance measures via its trouble

ticketing system to help evaluate the performance of technical support staff. Future expansion of technology in the District should be tied to technology support staffing levels.

- The TC should conduct performance evaluations annually on each Building Technology Coordinator's (BTC's) leadership contributions. In addition to using the trouble ticketing system to obtain customer feedback for regular technology staff, the District should use it to compile feedback about the quality of services provided by BTCs. The performance evaluations and feedback should be considered when BTCs' supplemental contracts are renewed.

Issues for Further Study

The following areas were identified during the audit that may warrant further examination but were outside the scope of the current audit engagement.

Human Resources

- **Early Retirement Incentives (ERIs):** While there is language in the negotiated agreement stating that the District has the option to offer ERIs to certificated employees, they are not required to do so. However, the District should conduct a cost benefit analysis to determine the effect that an early retirement incentive would have on the District, as 38 employees have 25 years or more of service.

- **Special Education Staffing:** The District employs 19.6 special education FTEs. Based on the minimum staffing requirements for special education in OAC Section 3301-51-09, the District should employ 26.6 special education FTEs. The lower staffing levels could be due, in part, to only 10.4 percent of the special education students at Chardon LSD spending 100 percent of their time in a special education classroom setting, as well as the use of several consortiums to provide services to special needs students. Nevertheless, the District should consult with ODE to ensure its special education staffing levels comply with OAC requirements.

Transportation

- **Special Needs Transportation:** The District did not report any parent guardian contracts on its T-1 form for FY 2004-05, although the Director of the department handling special needs transportation indicated otherwise. In addition, the District inaccurately reported its special needs expenditures in FY 2004-05. The District should improve its reporting process to ensure accurate and reliable data is available to assess its special needs transportation costs and operations. In conjunction with ensuring accurate and reliable data, the District should review methods to improve the cost-effectiveness of special needs transportation.

Technology

- **VOIP System:** All District buildings have access to telephone connections. However, all District classrooms are not currently equipped with telephone access. According to the 2004 BETA Survey, the percentage of District computer labs equipped with telephone access is lower than both the 20 similar district and state-wide averages. Although it has sufficient bandwidth to support it, the District does not operate a VOIP system and has not conducted a cost/benefit analysis to determine its feasibility.

A VOIP system could provide an annual cost savings of approximately $26,500, based on telecommunication expenditures in FY 2004-05 and Total System's Integration Inc.'s estimated savings of 70 to 80 percent by centralizing telephone services on a network. However, the District would incur up-front costs related to installing such a system, and the costs would depend on factors such as its network infrastructure, number of buildings and phones, and the use of a competitive process for vendor selection (see **R7.4** for more information on competitive purchasing procedures). Additionally, the Federal Communications Commission (FCC) indicates that some VOIP service providers may have limitations to their 911 services and may not offer directory assistance or white page listings, and that some VOIP services do not work during power outages and the service provider may not offer backup power. However, the FCC indicates that these factors may change based on new technological developments, and recommends that entities check with potential service providers to confirm any limitations. Therefore, the District should conduct a cost/benefit analysis to determine the potential annual savings and service enhancements related to implementing a VOIP system throughout the District.

- **Distance Learning:** The District currently does not offer distance learning opportunities. In contrast, according to the 2004 BETA Survey, the 20 similar district and state average responses indicated that 16 and 17 percent of classrooms are equipped for distance learning, respectively. According to the Assistant Superintendent, the District will determine whether to implement distance learning during the strategic planning process that will take place in the 2006-2007 school year. The District should follow through in its proposed evaluation of distance learning programs.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Chardon LSD should consider. Some of the recommendations are dependent on labor negotiations or collective bargaining agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendations Not Subject to Negotiations	Estimated Annual Savings/(Costs)	Estimated One-Time Costs
Financial Systems: Revised Assumptions [1]		
R2.4 Revise other revenue projections	($333,600)	
Recommendations not Subject to Negotiation		
R3.4 Eliminate payment of the employee's portion of the retirement contribution for administrators	$147,000	
R3.15 Purchase HR software system and sub calling system	($6,300)	($36,000)
R4.1 Reduce 5.0 custodial FTEs	$210,000	
R4.2 Improve purchasing policies and process	$60,000	
R4.4 Purchase maintenance management system		($19,600)
R4.5 Purchase custodial methods and procedure manual		($60)
R4.8 Develop formal energy management program	$57,000	
R5.1 Increase participation	$56,600 [2]	
R5.2 Implement a POS system		($29,000)
R5.4 Charge appropriate expenses to the Food Service Fund	($44,000)	
R6.3 Eliminate five buses and drivers	$118,200	
R6.3 Eliminate 5 buses - insurance savings	$4,800	
R6.3 Purchase routing software	($2,500)	($20,000)
R6.3 Avoid replacement costs for 5 buses [1]	$60,000	
R6.4 Reduce cost of payment-in-lieu contracts	$1,600	
R6.7 Reduce supply costs	$9,200	
R6.9 Reduce 1.0 mechanic FTE and 1.0 fueler/masher/mechanic helper FTE	$90,000	
R7.2 Replace computers every five years	($118,000)	
Subtotal Not Subject to Negotiation (Excludes Revised Assumptions)	***$643,600***	***($104,660)***
Recommendations Subject to Negotiation		
R3.6 Require 10 Percent Employee Contribution toward health Insurance Premiums	$84,000	
R3.6 Require 20 Percent Employee Contribution toward Dental Insurance Premiums	$35,000	
R3.7 Alter health plan benefits to reduce premiums	$11,800	
R3.9 Eliminate provision requiring additional support staff	$19,200	
R3.10 Reduce or eliminate sick leave incentive	$18,000	
R3.13 Reduce sick leave use	$21,700	
R4.3 Reduce overtime costs through addressing contract issues	$35,000	
R5.11 Eliminate the uniform allowance	$6,900	
Subtotal Subject to Negotiation	***$231,600***	
Total Net Financial Implications (*Excludes Revised Assumptions*)	**$875,200**	**($104,660)**

[1] Reflects annual average change over the forecasted period.
[2] This represents the phased-in average annual increase of additional revenues for the next three years to ultimately reach the total annual projected increase in revenues of approximately $170,000 thereafter.

The financial implications summarized above are presented on an individual basis. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Financial Systems

Background

This section of the performance audit focuses on financial systems in the Chardon Local School District (Chardon LSD or the District). The objective is to analyze the current and future financial condition of Chardon LSD by reviewing the District's five-year financial forecast and testing supporting assumptions for reasonableness, developing recommendations for improvements in financial processes, and identifying opportunities to increase efficiency. Comparisons are made throughout this section to the following peer school districts: Anthony-Wayne Local School District (Anthony-Wayne LSD), Canfield Local School District (Canfield LSD), and Highland Local School District (Highland LSD). Other applicable sources were also used for comparison purposes, including the Government Finance Officers Association (GFOA).

Staffing within the Treasurer's Office

Chardon LSD's Treasurer's Office consists of four employees, including the Treasurer, the Assistant to the Treasurer, the Accounts Payable Clerk, and the Payroll Clerk. The Treasurer is primarily responsible for managing and tracking District revenues and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the District's five-year forecast.

Financial Condition

The financial forecast presented in **Table 2-1** represents the Treasurer's projections of Chardon LSD's present and future financial condition as of October 19, 2005, with historical information presented for the fiscal years ended June 30, 2003, 2004, 2005. AOS reviewed the assumptions that have a significant impact on the forecast, such as tax revenue, property tax allocations, unrestricted and restricted grants-in-aid, and salaries and benefits. Following **Table 2-1** is the summary and explanation of the District's forecast assumptions, along with AOS comments and assessments.

AOS reviewed actual revenue and expenditure activity for FY 2005-06 at the time that the District's assumptions were being assessed for reasonableness. However, it should be noted that actual revenues and expenditures for FY 2005-06 became available during the course of this performance audit. Based on a comparison of the actual revenues and expenditures to the projections for FY 2005-06, AOS conclusions about the District's assumptions and projections for FY 2005-06 are not materially impacted. In fact, the District completed FY 2005-06 with a

positive fund balance of approximately $769,000, while it was originally projected to complete FY 2005-06 with a negative ending fund balance of approximately $107,000, absent new levies.

Table 2-1: Chardon LSD Five-Year Forecast (000s)

	Actual			Forecasted				
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
General Property (Real Estate)	$13,821	$14,186	$14,511	$14,452	$14,865	$15,290	$15,728	$16,177
Tangible Personal Property Tax	$2,310	$2,025	$2,001	$1,864	$1,827	$1,790	$1,755	$1,720
Unrestricted Grants-in-Aid	$5,705	$6,319	$6,080	$6,084	$6,114	$6,144	$6,175	$6,206
Restricted Grants-in-Aid	$232	$242	$140	$58	$58	$58	$58	$58
Property Tax Allocation	$1,678	$1,725	$1,797	$1,934	$1,992	$2,051	$2,113	$2,176
All Other Operating Revenue	$619	$467	$491	$819	$848	$878	$908	$940
Total Revenue	$24,365	$24,963	$25,021	$25,210	$25,704	$26,212	$26,737	$27,277
Total Other Financing Sources	$121	$153	$16	$577	$48	$48	$48	$48
Total Revenues and Other Financing Sources	**$24,486**	**$25,116**	**$25,037**	**$25,788**	**$25,751**	**$26,260**	**$26,784**	**$27,325**
Personnel Services	$14,334	$15,132	$15,975	$16,119	$16,844	$17,602	$18,395	$19,222
Employees' Retirement/Insurance Benefits	$4,417	$5,225	$5,505	$5,953	$6,340	$6,752	$7,191	$7,658
Purchased Services	$2,752	$2,963	$2,972	$3,158	$3,348	$3,548	$3,761	$3,987
Supplies and Materials	$1,085	$990	$881	$1,016	$1,056	$1,098	$1,142	$1,188
Capital Outlay	$327	$118	$225	$28	$150	$150	$150	$150
Other Objects	$396	$531	$482	$535	$562	$590	$620	$651
Total Expenditures	$23,312	$24,959	$26,040	$26,810	$28,300	$29,742	$31,259	$32,857
Total Other Financing Uses	$713	$150	$129	$883	$225	$225	$225	$225
Total Expenditure and Other Financing Uses	**$24,025**	**$25,109**	**$26,169**	**$27,692**	**$28,525**	**$29,967**	**$31,484**	**$33,082**
Excess Rev & Other Financing Sources	$461	$7	($1,133)	($1,904)	($2,774)	($3,707)	($4,700)	($5,757)
Beginning Cash Balance	$2,747	$3,208	$3,216	$2,083	$178	($2,596)	($6,303)	($11,002)
Ending Cash Balance	**$3,208**	**$3,216**	**$2,083**	**$178**	**($2,596)**	**($6,303)**	**($11,002)**	**($16,759)**
Outstanding Encumbrances	$313	$495	$285	$285	$250	$250	$250	$250
Budget Reserve	$569	$569	$569					
Total Reservations	$569	$569	$569					
Fund Bal June 30 for Certification of Contracts, Salary Schedules, Other Obligations	**$2,327**	**$2,152**	**$1,229**	**($107)**	**($2,846)**	**($6,553)**	**($11,252)**	**($17,009)**
Property Tax – New [1]				$1,945	$3,841	$3,791	$3,742	$3,742
Cumulative Balance of New Levies [1]				$1,945	$5,786	$9,577	$13,319	$17,061
Unreserved Fund Balance June 30	**$2,327**	**$2,152**	**$1,229**	**$1,838**	**$2,940**	**$3,025**	**$2,067**	**$52**

Source: Chardon Local School District

[1] Voters did not pass this proposed levy. However, voters passed a new 6.0 mill levy (5.0 mills operating and 1.0 mill for permanent improvement), which will be included in the District's proposed recovery plan (see **R2.20** and **Table2-5**).

Revenue

General Property Tax (Real Estate)

Real estate property taxes are the District's largest source of revenue, comprising over half of its total operating revenues. More specifically, real estate property tax collections represented approximately 58 percent of the District's FY 2004-05 revenues. From FY 1999-00 to FY 2004-05, the District's property tax collections have increased at an average annual rate of 6 percent, due, in part, to voters passing a new 4.78 mill levy on March 7, 2000. The new 4.78 mill levy primarily contributed to the 13 and 10 percent increases in real estate revenues in FY 2000-01 and FY 2001-02, respectively. From FY 2002-03 to FY 2004-05, the District's real estate revenues increased by an average of only 2.7 percent annually. This includes the impact of the last update, which occurred in calendar year (CY) 2002.

The District's assumptions for projecting real estate property tax receipts are as follows:

- The District is currently collecting on seven continuous current expense levies which, for operating purposes, correspond to 20.38 effective mills (60.38 voted mills).

- Although CY 2005 is a reappraisal year, the Treasurer's projections show real estate taxes declining approximately 0.4 percent in FY 2005-06, which is based on the Geauga County Budget Commission's certificate of estimated resources for the District.

- The FY 2006-07 through FY 2009-10 real estate revenue is projected to increase approximately three percent annually, based on the historical average growth in real estate over the last three years.

The projections for FY 2005-06 appear reasonable based on the certificate of estimated resources, year-to-date collections and information provided by the County Auditor. The projections for FY 2006-07 through FY 2009-10 also appear reasonable as they are consistent with historical trends from FY 2001-02 to FY 2004-05, which includes the impact of the last update.

Tangible Personal Property Tax

Tangible personal property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machines, equipment, supplies and inventory used in conducting the business. Until the signing of House Bill 66, ORC §5711.22 required a slow phase out of the tangible property tax by reducing the assessed tangible property valuation rates by one percent in tax years (TY) 2002, 2003, and 2004. The reduction rate was then increased to 2 percent annually beginning in tax year 2005 and would continue at that rate until the tax is eliminated. However, HB 66 now accelerates the phase-out period. Under the new legislation, the tangible

tax on general business and railroad property will by eliminated by TY 2009, and the tax on telephone and telecommunication property will be eliminated by TY 2011. At the same time, the legislation replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue (accounted for as state funding); in the following seven years, the reimbursements are phased out.

The District has experienced large fluctuations in receipts from tangible property taxes from FY 1999-00 through FY 2004-05. According to the Treasurer, the 23 percent increase in tangible property taxes in FY 2001-02 was the result of the passage of the new 4.78 mill levy in March 2000. The decreases of 12 and 1 percent in FY 2003-04 and FY 2004-05, respectively, were due to the phase-out.

The District's assumptions for projecting tangible personal property tax receipts for FY 2005-06 are based on the County Auditor's certificate of estimated resources, and therefore appear reasonable. Collections are projected to decline 2 percent annually from FY 2006-07 through FY 2009-10 due to legislation phasing out the tangible personal property tax. Although the net-impact on Chardon LSD's revenues should be neutral based on the hold harmless clause for the next five years, the District's projections for tangible personal property taxes are overstated due to the accelerated phase-out in HB 66 (See **R2.2**).

State Foundation Revenue

State funding represents restricted and unrestricted revenues received from the State of Ohio through the state foundation program. For Chardon LSD, state funding represented approximately 25 percent of FY 2004-05 revenues. The most significant change impacting the District's state funding is the phase out of the cost of doing business factor (CODBF) from the state funding formula. Under HB 66, the CODBF will be phased out over a two-year period beginning in FY 2005-06. Furthermore, due to the hold harmless clauses in the legislation concerning the tangible property tax phase-out, the revenues the District loses from tangible property taxes will be reimbursed for the next five years through increased state funding. The District's assumptions for projecting unrestricted and restricted grants-in-aid are as follows:

- The unrestricted grants-in-aid estimates for FY 2005-06 and FY 2006-07 are based on state funding simulations. A 0.5 percent increase is projected for each of the remaining years based on the average increase projected by ODE during the last two years.

- The restricted grants-in-aid estimate of $58,047 for FY 2005-06 is for bus replacements and career tech funding, and is held constant at this amount thereafter. The Treasurer indicated that the large decrease from FY 2004-05 to FY 2005-06 is due to coding differences when compared to the prior treasurer.

Based on a review of state funding reports and simulations, and considering the coding differences, the Treasurer's projected amounts appear reasonable. In addition, the year-to-date collections as of January 31, 2006 show that the District is on pace with its state funding projections. However, the impact of failing to account for the accelerated phase-out on tangible personal property taxes has a corresponding impact on state funding (see **R2.2**). Further, the forecast methodology does not consider the impact of key variables impacting this revenue source, such as enrollment trends, impact of increasing property valuation, and increases in the base funding amount per pupil (see **R2.2**).

Property Tax Allocation

The property tax allocation line-item represents reimbursements received from the State of Ohio for various real estate property tax credits granted to citizens of Ohio. Because of this relationship, the growth in property tax allocations usually parallels the growth in real estate property taxes. Chardon LSD's historical property tax allocations have increased at an average annual rate of approximately seven percent during the last six years, similar to the average annual increase in real estate revenues of approximately six percent.

The District's assumptions for projecting property tax allocations include the following:

- The FY 2005-06 projection is based on the Geauga County Budget Commission's certificate of estimated resources.

- The FY 2006-07 through FY 2009-10 property tax allocations are projected to increase three percent annually based on the historical average annual growth rate over the last three years.

The projections for FY 2005-06 look reasonable based on the year-to-date collections and information provided by the County Auditor. The projections for FY 2006-07 through FY 2009-10 also appear reasonable based on past history and similar increases projected for real estate revenues.

Other Revenues

The other revenue line-item consists of tuition receipts related to open enrollment, interest, rentals, and other miscellaneous revenues. The District's assumptions for projecting other revenues include the following:

- The FY 2005-06 other revenue line item amounts are projected to increase by approximately 67 percent due to an increase in interest rates. In addition, the FY 2005-06 other revenues also includes additional anticipated revenue from reappraisals.

- The FY 2006-07 through FY 2009-10 other revenues are projected to increase 3.5 percent annually, due to recent increases realized by the District in interest earnings. By including the anticipated revenues related to the reappraisal in other revenues, the projections from FY 2005-06 to FY 2009-10 appear overstated (See **R2.3**).

Expenditures

Personal Services

Personal services consist of employee salaries and wages, supplemental contracts, severance payments, and overtime. Personal services represented approximately 61 percent of the District's FY 2004-05 operating expenditures (excluding other financing uses). From FY 1999-00 to FY 2004-05, personal services increases by an average of approximately five percent annually. The District's assumptions for projecting personal services are based on the following:

- FY 2005-06 is based on the actual salaries for all employees with adjustments to account for overtime, substitutes, severance, and supplemental contracts. The collective bargaining agreement for classified staff expired on June 30, 2006, and stipulates no COLA increase in FY 2005-06. The collective bargaining agreement for certificated staff is set to expire in August 2006, and also stipulates no COLA increase in FY 2005-06.

- FY 2006-07 through FY 2009-10 is projected by assuming a 4.5 percent increase, made up of 1.5 percent for step increases and 3 percent annual COLA increases for all employees.

The projections for FY 2005-06 look reasonable based on the year-to-date expenditures. The methodology and assumptions the Treasurer used in projecting FY 2006-07 through FY 2009-10 also appears reasonable. More specifically, considering that no COLA increases were provided to staff in FY 2005-06, three percent COLAs appears reasonable. Although a three percent COLA is slightly higher than some of the historical COLAs prior to FY 2005-06 (e.g., certificated average COLA was 3.8 percent from FY 2002-03 to FY 2004-05), it is reasonable based on the District's current and projected financial condition. Additionally, the Treasurer's assumption of a 1.5 percent annual step increase appears reasonable based on a review of the step increases in the certificated salary schedule, and the number of teachers receiving step increases as well as those not eligible because they are at the maximum step.

Employees Benefits

Employee fringe benefits represented approximately 21 percent of the of the District's FY 2004-05 operating expenditures (excluding other financing uses) and consisted of employee health insurance, pension costs, Medicare benefits, workers' compensation insurance and

unemployment insurance. The District's assumptions for projecting employee benefits are as follows:

- Health insurance costs are stated within the five-year forecast to increase 6.5 percent per year.
- Retirement and Medicare are projected as a percentage of total salaries and wages.

The FY 2005-06 projection appears reasonable based on the year-to-date expenditures. In fact, fringe benefit expenditures are expected to be slightly under the projections because the actual expenditures as of January 31, 2006 comprised approximately half of the projected amount.

Chardon LSD is self-insured for healthcare and works with Aetna, its third party administrator, to set the yearly premiums. According to the Treasurer, Aetna determined that the District's premiums would increase by eight percent in FY 2005-06. However, the treasurer elected to increase premiums by 6.5 percent thereafter because of the need for staff to take concessions in their insurance coverage. The District has discussed this with the Board, which agreed that concessions are necessary. While the State Employment Relations Board reported that health care premium costs increased a weighted average of approximately 15 percent from 2003 to 2004, the District's insurance expenditures for all funds and for the General Fund only increased by 5.4 and 5.6 percent from FY 2003-04 to FY 2004-05, respectively. This was similar to the increase in General Fund salaries from FY 2003-04 to FY 2004-05. Based on these factors and considerations, the District's projected increase of 6.5 percent annually for health insurance appears reasonable. Furthermore, as the other major benefit categories are projected based on the appropriate relationship with salaries, they also appear reasonable.

Purchased Services

Purchased services represented approximately 11 percent of the District's FY 2004-05 operating expenditures (excluding other financing uses), and consisted primarily of property services, utilities, and tuition. From FY 1999-00 to FY 2004-05, purchased services increased by approximately six percent annually. With the exception of expenditures remaining relatively constant from FY 2003-04 to FY 2004-05, purchased services increased each year during the last six years, ranging from approximately six to nine percent each year. The Treasurer indicated that the District limited building repairs and other purchased service expenditures in FY 2004-05 due to its financial situation. The District's assumptions for projecting purchased services include the following:

- The FY 2005-06 through FY 2009-10 purchased services are projected to increase by approximately 6 percent annually based on past history.

The FY 2005-06 projection looks reasonable based on the year-to-date expenditures. The FY 2006-07 through FY 2009-10 projections also appear reasonable based on past history. See the

facilities section for strategies to better plan for and anticipate the needs of the District's facilities, and accordingly avoid substantial long-term costs related to contracting for services to repair or replace equipment.

Supplies & Materials

Supplies, materials and textbooks comprised 3.3 percent of the District's FY 2004-05 operating expenditures (excluding other financing uses). ORC § 3315.17 requires school districts to maintain a minimum level of spending for textbooks and instructional materials. From FY 1999-00 to FY 2004-05, supply and material expenditures fluctuated significantly, ranging from a decrease of approximately 11 percent in FY 2004-05 to an increase of approximately 18 percent in FY 2002-03. According to the treasurer, the increase in FY 2002-03 was due to the purchase of textbooks, while the decrease in FY 2004-05 was due to the District limiting spending on supplies and materials. The District's assumptions for projecting supplies and materials include the following:

- The FY 2005-06 supplies and materials are projected to increase by approximately 15 percent to account for increases in gas prices.

- FY 2006-07 through FY 2009-10 are projected to increase four percent annually to account for inflation and discretionary spending.

The FY 2005-06 projections for supplies and materials look reasonable based on the year-to-date expenditures. The FY 2006-07 through FY 2009-10 projections also appear reasonable based on inflation. Based on the District's projections and the requirements in ORC §3315.17, the District is projected to comply with the spending requirements for textbooks and instructional materials during the forecast period. In addition, because the District exceeded the spending requirements in prior years, it has accumulated a surplus set-aside balance of approximately $291,000 at the end of FY 2004-05, which can be used to offset future years' set-aside requirements. If the District decides to do so, this can subsequently help the District reduce future years' textbook and instructional material expenditures.

Capital Outlay

Historically, the District has used the capital outlay line-item to account for the costs of acquiring new assets, such as buses and computers. Due to the lack of a permanent improvement fund, it also accounts for equipment upgrades and purchases, and some building improvements in the capital outlay account. The timing of the purchase of such assets and equipment contributes to the historical variances in capital outlay. In addition, ORC §3315.18 requires school districts to maintain a minimum level of spending for capital improvement purposes. The District's capital outlay projections are based on the following assumptions:

- The FY 2005-06 projections are based on a reduction in spending on capital outlay. In addition, no bus purchases are anticipated in FY 2005-06.

- The FY 2006-07 through FY 2009-10 projections are based on spending $120,000 on buses and an additional $30,000 for discretionary purchases for the remaining years of the forecast.

The FY 2005-06 projections for capital outlay look reasonable based on the year-to-date expenditures as of January 31, 2006, and the potential for unanticipated expenses during the remainder of FY 2005-06. However, the FY 2006-07 through FY 2009-10 projections appear to be overstated based on the District's ability to avoid at least five bus replacements during the forecast period by eliminating five buses from its fleet (see the **transportation** section). Therefore, the financial impact of not replacing five buses will be included as a savings in the performance audit recommendations category of the District's proposed recovery plan (see **R2.20, Table 2-5**). The District is projected to comply with the ORC § 3315.18 spending requirements for capital even if it does not purchase five buses.

Other Expenditures

Historically, the District has experienced fluctuations in other expenditures, ranging from a decrease of 14 percent in FY 2000-01 to an increase of 34 percent in FY 2003-04. Other expenditures consist of dues and fees, general liability insurance and judgments. Overall, the District's other expenditures have accounted for approximately two percent of total expenditures and have experienced a six-year historical average increase of approximately 1 percent. The District's assumptions for projecting other expenditures are based on the following assumptions:

- The FY 2005-06 other expenditures are projected to increase by approximately 11 percent based on past history and the cycle of yearly increases and decreases.

- The FY 2006-07 through FY 2009-10 other expenditures are projected to increase five percent annually to account for inflation and discretionary expenses.

The FY 2005-06 projections appear reasonable based on the year-to-date expenditures. The FY 2006-07 through FY 2009-10 other expenditures also appear reasonable based on projected inflation and the variability of some of the line-items within this classification. Furthermore, based on historical trends, forecasting a five percent increases provides a conservative assumption of future expenses.

Other Financing Sources/Uses : Transfers and Advances

Historically, General Fund transfers and advances were made to cover expenses for food services, athletics and severance pay. The Treasurer's projections for operating transfers and other financing sources/uses are based on the following assumptions:

- The transfer in, and subsequently out, of the General Fund projected in FY 2005-06 is primarily due to the District eliminating the budget reserve of $568,753, as a result of its financial condition.

- The other financing sources are mainly for the miscellaneous sales of District assets.

- The transfers out represent transfers to cover expenses in the District's Severance Fund, Food Service Fund, and Middle School Athletics Fund.

- From FY 2006-07 to FY 2009-10, the Treasurer projects other financing sources (advances and transfers in to the General Fund) at $47,500 annually and other financing uses (advances and transfers out of the General Fund) at $225,000 annually.

Based on the elimination of the budget reserve and the past history of covering expenses in other funds, the District's projections generally seem reasonable. However, given the current and projected financial situation of the District, the General Fund can not continue to subsidize other funds. More specifically, the General Fund transferred approximately $81,000 and $96,000 to the Food Services Fund in FY 2003-04 and FY 2004-05, respectively. Therefore, the District needs to identify opportunities to increase revenues and reduce expenditures in other funds to decrease the burden on the General Fund (see **food service** section). Furthermore, developing separate assumptions for categories comprising the transfers and advances category could help the Treasurer develop more detailed and supportable projections. For example, the Treasurer could work with the Operations Manager to develop a five year financial projection for the District's food service operations (see the **food services** section).

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several areas which did not warrant changes and did not yield any recommendations. These areas include the following:

- **Financial Forecast:** The District's forecast methodology and assumptions in the following categories appeared reasonable and did not result in changes or recommendations:

- Real estate taxes,
- Property tax allocation,
- Personnel services,
- Fringe benefits,
- Purchase services,
- Supplies and materials,
- Capital outlay,
- Other expenditures, and
- Transfers and advances.

- **Staffing Qualifications:** Current employees within the Treasurer's Office have the appropriate qualifications and experience to perform their jobs.

- **Discretionary Spending:** Chardon LSD's discretionary expenditures of $890 per pupil were lower than two of the three peers and 34 percent lower than the peer average. In addition, the District reduced total discretionary expenditures from FY 2003-04 to FY 2004-05 by $38 per pupil.

- **Educational Evaluations:** According to the Assistant Superintendent, the District actively evaluates its educational programs in order to assess student needs. The Assistant Superintendent indicated that the District's professional development plan helps identify student needs and consists of the following three pillars:

  - *Individual Professional Development:* The District believes that the improvement of each teacher contributes to student achievement. This pillar also ties in with the teachers' Individual Professional Development Plans (IPDP).
  - *Building-Level Professional Development:* Each building has a continuous improvement team that examines data and conducts a yearly needs assessment to identify achievement goals for students, and then considers the types of professional development needed to achieve these goals.
  - *District-Directed Professional Development:* This pillar directly supports the building-level efforts, and is primarily concerned with curriculum revision, pedagogy (i.e., teaching profession or teaching strategies), instructional materials, and technology integration.

These three pillars are tied together by the foundation of the strategic plan and needs assessment data. The needs assessment data consists of test scores, attendance figures, discipline records, survey information and the input of staff, parents and the community. In addition to the professional development process, the District conducts diagnostic assessments based on its test scores to identify specific questions that are missed by more than 70 percent of the student population. The teaching staff then evaluates the results to

determine if the District needs to implement different teaching strategies. The District's professional development and needs assessment process could contribute, in part, to its positive performance as reflected in the indicators reported by the State of Ohio. More specifically, the District met all of the State indicators in the 2004-05 and 2005-06 school years. Additionally, its performance index score has increased each year since the 2002-03 school year's index score of 96.6 to an index score of 105.7 for the 2005-06 school year. The District's report card issued by ODE states that "looking at the performance index score over time shows trends in school achievement."

- **Goals:** The District develops and disseminates broad goals within its strategic plan, which is shared with Board members and other stakeholders. These goals are developed through input of the staff and community leaders.

- **Budget Changes and Monitoring:** The District has mechanisms in place to ensure compliance with the adopted budget which would allow the District to detect and correct significant deviations if they occur. For example, if administrators or department heads want to modify the budget, the budget modification form needs to be filled out and approved by the accounts payable clerk. In addition, every purchase order is reviewed by the accounts payable clerk before it is approved to ensure that there are funds available within the account. Through the use of USAS, automatic flags are built into the accounting system to prevent further processing of purchases that exceed appropriations. Furthermore, the Treasurer prepares a monthly report that lists the appropriations and the percent of budget that has already been spent. The Treasurer uses this report as a way of monitoring expenditures.

- **Accounting Procedures:** The District's accounting procedures encompass practices recommended by the GFOA. It prepares and publishes a comprehensive annual financial report, obtains an independent audit of its financial statements performed in accordance with generally accepted auditing standards (GAAS), and uses an accounting system (USAS) to prepare its financial reports in conformity with generally accepted accounting principles (GAAP). USAS also ensures that restricted sources of revenue are used and recorded in the appropriate funds, functions, and object codes.

- **Fixed Assets:** The District has written policies and procedures to provide for effective management of fixed assets. The District's manual defines fixed assets, presents accounting principles, and describes the system's maintenance. In addition, the manual addresses how fixed assets should be tagged and how to maintain detailed subsidiary records of all fixed assets.

- **Cash-Handling Procedures:** Chardon LSD has established internal controls over its receipting process. Specifically, the District segregates duties for recording and

collecting cash, uses deposit slips to ensure that the correct amounts are being recorded to the appropriate accounts, and requires a transmittal form for the receipt of all money.

- **Financial Audits:** From FY 2001-02 to FY 2004-05, the external financial audit noted one material weakness in the District's internal controls in FY 2001-02; however, based on the schedule of prior findings, Chardon LSD responded and resolved the recommendation prior to the following year's report. Additionally, the District received an unqualified opinion on its financial statements from FY 2001-02 to FY 2004-05. Furthermore, the District has an audit committee.

- **Financial Reporting:** Chardon LSD provides the Board with several different monthly financial reports that allow it to make informed decisions about the District's finances.

- **Community Involvement and Access to Information:** Chardon LSD solicits feedback from parents and other taxpayers through the use of volunteers, community surveys, public forums, and newsletters. By involving parents and community members, the District is able to determine what areas the community feels are inefficient, as well as gain suggestions to improve its overall performance. In addition, Chardon LSD employs a variety of communication methods to convey financial and other important information to the community, including newsletters, calendars, its website, and parent volunteers. Parents and students can access school policies and programs from the District's website. Hard copies of the handbooks are available upon request. Furthermore, Chardon LSD encourages parent involvement, leadership, and participation through its PTAs, booster clubs, and asking for parent volunteers in the elementary school. Lastly, District officials indicated that Chardon LSD participates in community service projects.

- **Purchase Orders:** Chardon LSD has formal policies and procedures that outline the process for preparing and approving purchase orders, and for ensuring funds are available for purchases. The Treasurer indicated that purchase orders are reconciled to invoices to verify prices and receipt of items; invoices are entered into the accounting system and verified by the accounts payable clerk; and accounting codes are provided on the monthly budget to ensure that disbursements are properly charged to the correct account. The Treasurer also indicated that it is the responsibility of the person receiving the merchandise to verify that all incoming merchandise was received. Furthermore, the District's purchasing function is organizationally separate from the departments that requisition goods and services. In addition, the FY 2003-04 and FY 2004-05 financial audits noted no material weaknesses in the District's purchasing practices.

- **Bill Payments:** Based on a sample of 36 purchases, the District paid 31 of the 36 bills on time. Regarding the five late payments, the Treasurer indicated that the District will not pay an invoice without a copy of the receipt. The five late payments were paid, on average, 38 days following the invoice date.

- **Payroll:** Chardon LSD has procedures in place to verify payroll and deductions. The payroll supervisor tracks insurance, life, hospitalization, and dental benefits by employee and class. In addition, the District has policies on salary deductions, federal, state, and local income taxes, and retirement contributions. The District also has controls in place to prevent unauthorized users from entering information into the payroll system. Furthermore, the payroll supervisor tracks deductions and other payroll information, and prepares reconciliations every payroll period to ensure accuracy. Employees are paid biweekly and the District has limited special payroll runs. Lastly, attendance and leave forms must be approved before the information is entered into the payroll system. The payroll supervisor also reviews attendance information to ensure that it matches the information listed in the payroll report.

Noteworthy Accomplishments

During the course of this performance audit, the following noteworthy accomplishments or best practices were noted at Chardon LSD:

- **Strategic Planning:** Chardon LSD invests significant effort and detail into its strategic plan. The District developed a five-year strategic plan that provides vision and direction. The strategic plan has annual goals and objectives, as well as strategies the District intends to employ to reach desired objectives. In addition, the District involves parents and the community in the strategic planning process.

    To help with strategic planning, the District uses a planning committee which consists of 25 people, including teachers, administrators, parents, high school students, and other community members. The planning committee meets for three days to develop the mission, goals, beliefs, and strategies. Once the planning committee approves the plan, the District holds a large community Board meeting to present the strategic plan. The District then advertises for volunteers to serve on committees to develop the action plans for each of the main areas covered in the plan. The members of the committee are offered training on applicable procedures and are asked to select a chairman, who must be an employee of the District. The committees meet for two to three months to develop action plans, and to analyze the costs and benefits of implementing each step identified in the action plan. Once the committees have finished developing their action plans, they present the plans to the planning committee. The District uses the action plans as a way to measure its success in achieving objectives.

- **Comparison of Actual to Projected Results for FY 2005-06:** The District completed FY 2005-06 with a positive fund balance of approximately $769,000, while it was originally projected to complete FY 2005-06 with a negative ending fund balance of approximately $107,000, absent new levies. This is primarily due to the District's revenue and expenditure projections being 2.6 percent higher and 1.3 percent lower,

respectively, than the actual revenues and expenditures. This shows that the Treasurer employed a relatively sound, yet conservative, forecasting methodology for FY 2005-06.

Recommendations

Staffing

R2.1   **The Treasurer's Office should develop cross-training opportunities for its employees, track such training, obtain feedback from employees about the training, and identify the impact of cross-training on office operations. Likewise, the District should consider implementing cross-training for other departments and offices, where appropriate.**

According to the Treasurer, employees in the Treasurer's Office are not cross-trained in other functional duties. In addition, AOS conducted an online survey of District employees concerning several areas of operations (see the appendices in the **human resources, facilities, transportation** and **technology** sections for complete results). While 82 percent of respondents agreed that their department could effectively maintain productivity in the event of a short term absence, only 33 percent agreed that cross-training has been implemented (see **appendix 3-A** in the **human resources** section).

According to a Society for Human Resource Management (SHRM) Information Center article *Cross Training – Value in Today's Environment*, a cross-training program should be implemented by organizations and can be beneficial to both the organization and employees. Cross-training increases employees' knowledge and ability to perform different tasks by using current skills or by learning new skills. Cross-training adds variety to employees' workday, adds new challenges to their jobs, and enhances future career opportunities within the organization. Cross-training can also help employees to better understand interrelationships between jobs, in addition to enhancing the employee's operational perspective. Most organizations benefit from cross-training for the following reasons:

- Creates a more flexible and versatile workforce;
- Enables organizations to reduce the number of different jobs and hence, reduce work jurisdiction;
- Prevents stagnation;
- Improves productivity;
- Allows for effective succession planning;
- Leads to better coordination and teamwork;
- Motivates the workforce and instills commitment;
- Enables employees to understand organizational goals and objectives;

- Supports implementation of family-friendly policies;
- Increases retention and avoids recurring costs;
- Increases organizational marketability and supports recruiting initiatives; and
- Helps create a learning organization.

Financial Forecasting and Planning

R2.2   **The Treasurer should update forecast projections to reflect the impact of House Bill (HB) 66 on the District's tangible personal property taxes and state funding. Although the net impact on Chardon LSD's revenues should be neutral due to the hold harmless clause, this would allow the District to determine the amount of revenues that will be lost when the reimbursements are no longer available. This, in turn, would enhance planning to meet this shortfall. Furthermore, the Treasurer should consider incorporating the key components (e.g., property valuation, enrollment trends, and base funding amount per pupil) that separately impact state funding in the forecast methodology when developing future projections, particularly when there are legislative changes to these key components.**

Tangible personal property taxes have not been correctly accounted for in the financial forecast due to the impact of HB 66 legislation. HB 66 was passed on June 30, 2005, and includes several changes to the way schools are funded in Ohio. HB 66 accelerates the phase-out period for tangible personal property taxes. Under HB 66, the tangible tax on general business and railroad property will by eliminated by tax year (TY) 2009, and the tax on telephone and telecommunication property will be eliminated by TY 2011. At the same time, the legislation replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue (accounted for as state funding); in the following seven years, the reimbursements are phased out.

The Treasurer's projection for FY 2005-06 appears reasonable and mirrors the Geauga County Auditor's certificate of estimated resources. However, the Treasurer's two percent annual decline from FY 2006-07 through FY 2009-10 does not account for the accelerated phase-out in H.B. 66. Therefore, the FY 2006-07 through FY 2009-10 tangible personal property tax projections will be adjusted to reflect the reduction in assessment rates from year-to-year, as detailed in H.B. 66. The state funding revenues will be forecasted to increase by the loss in tangible personal property tax revenues to reflect the hold harmless clause. Although there will be no net impact on total revenues during the forecast period from this adjustment, this provides a more accurate picture of the effect of HB 66 on the District's tangible personal property tax revenues.

In developing the projections for unrestricted grants-in-aid, the Treasurer based her assumption on total revenues. However, the forecast methodology does not consider the

impact of key variables impacting this revenue source, such as enrollment trends, property valuation, and increases in the base funding amount per pupil. In addition to the accelerated phase-out of the tangible personal property tax, HB 66 phases out the cost of doing business factor, which will be eliminated entirely by FY 2007-08. In addition, the per pupil funding amount is scheduled to increase 2.2 percent in FY 2005-06 and 2.3 percent in FY 2006-07, From FY 1998-99 to FY 2004-05, the District's enrollment increased every year, averaging an annual increase of approximately 1.5 percent. Furthermore, the Treasurer projects real estate property values to increase approximately three percent annually, based on historical trends.

AOS performed an assessment based on increasing enrollment by 1.5 percent annually, property values by three percent annually, eliminating the CODBF, and increasing the per student funding formula by 2.2 percent annually. When accounting for these factors, the District's total formula aid amount falls below its guaranteed formula amount in each projected year. In addition, the District's total actual state funding revenues (restricted and unrestricted) in FY 2005-06 were in line with the projections, and future projected figures appear generally reasonable. As a result, AOS will not adjust the District's projections, with the exception of reclassifying revenues lost due to the accelerated phase out on tangible personal property taxes in the state funding category. Nevertheless, reviewing the key components that comprise state funding would strengthen the District's forecasting methodology, including components affected by legislative changes.

Table 2-2 shows the estimated impact of HB 66 on the District's tangible personal property taxes.

Table 2-2: Effect of HB 66 on Tangible Taxes and State Funding

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Chardon LSD Projections – Tangible Personal Property	$1,864,300	$1,827,014	$1,790,474	$1,754,664	$1,719,571
Impact of Accelerated Phase-Out	$203,633	$708,210	$1,281,965	$1,324,844	$1,343,145
Revised Tangible Personal Property Tax	**$1,660,667**	**$1,118,804**	**$508,509**	**$429,820**	**$376,426**
Chardon LSD Projections – Unrestricted Grants-in-Aid	$6,083,507	$6,113,925	$6,144,494	$6,175,217	$6,206,093
Total Revised Unrestricted Grants-in-Aid	**$6,287,140**	**$6,822,135**	**$7,426,459**	**$7,500,061**	**$7,549,237**

Source: Treasurer's office, district financial reports
Note: AOS assumed that the majority of tangible personal property is for inventory and machinery (75 percent), with telephone inventory making up the remainder (25 percent).

R2.3   The Treasurer should record all revenues from property reappraisals in real estate taxes instead of other revenues. Accordingly, the Treasurer should only consider the items comprising other revenues when developing future projections for this category.

The District's projections of other revenues appear overstated. From FY 1999-00 to FY 2004-05, other revenues fluctuated considerably, ranging from a decrease of 46 percent to an increase of 51 percent. Overall, however, the six year historical average increase in other revenues was approximately 3 percent. The District's other revenue line-item has accounted for approximately 2 percent of total revenues and includes tuition, interest, classroom fees, and miscellaneous reimbursements. According to Auditor of State Technical Bulletin 98-015, all other revenue projections should be based upon historical patterns.

In FY 2005-06, the District projects other revenues to increase by approximately 67 percent. The large increase is due to anticipated increases in interest rates and additional revenues from the property reappraisal that will impact the FY 2005-06 real estate projections. However according to USAS guidelines and the County Auditor, any additional revenues earned through reappraisals should be captured in real estate. The projections for FY 2006-07 through FY 2009-10 assume annual growth of 3.5 percent due to an increase in the District's interest revenues. Although interest revenue has fluctuated over the last three years, the District's interest revenue increased 107 percent in FY 2004-05 and comprised 26 percent of the total other revenues. Therefore, a 3.5 percent projected growth rate seems reasonable. However, the FY 2006-07 through FY 2009-10 projections appear overstated because they are based on the inflated projection for FY 2005-06. Therefore, the FY 2005-06 projection will be adjusted to reflect a 3.5 percent increase from FY 2004-05. Likewise, projections will be increased by 3.5 percent thereafter. **Table 2-3** shows the net impact of these adjustments on the forecast. As the real estate projections for FY 2005-06 appear reasonable based on the certificate of estimated resources, year-to-date collections and information provided by the County Auditor, the anticipated reappraisal revenues the Treasurer included in other revenues will be excluded from the forecast.

Table 2-3: Impact of Forecast Adjustments (in 000s)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Chardon LSD Projection	$819	$848	$878	$908	$940
AOS Revised Projection	$508	$526	$544	$564	$583
AOS % Change	(37.96%)	(37.96%)	(37.96%)	(37.96%)	(37.96%)
Net Impact on Forecast	($311)	($322)	($333)	($345)	($357)

Source: Chardon LSD

As shown in **Table 2-3**, the District is projected to collect approximately $583,000 in other revenues in FY 2009-10, which was the average amount collected from FY 1999-00 to FY 2004-05. This illustrates that other revenues have been projected in a conservative manner, based on the wide-ranging historical fluctuations.

R2.4 **Chardon LSD should develop formal policies and procedures that address the development of its five year forecast, which would help to ensure reliability and consistency. These procedures should include, but not be limited to, identifying stakeholders' concerns, needs, and priorities; and establishing a timeline for review and completion. In accordance with such policies, the Treasurer should actively solicit input from key stakeholders, including the Superintendent and Board members, as the forecast and supporting assumptions are being developed. Doing so would help strengthen consensus and ownership of the District's forecast. Lastly, the District should consider developing a revenue manual to promote a stronger understanding of its funding sources.**

Currently, Chardon LSD does not have formal policies and procedures on financial planning/forecasting, including reviews of its five-year forecast, and does not have a revenue manual. Based on the survey conducted by AOS, the Board indicated that changes or concerns in the District's financial condition are not reported to the Board in a timely fashion. With the exception of involving the County Auditor when projecting revenue, the Treasurer independently prepares the five-year forecasts. However, the District does have Board policies addressing other fiscal issues. The Treasurer also has assumptions for the forecast, supporting spreadsheets to aid in the forecasting of the District's salary projections, and brief notes that explain the forecasting process.

The Government Finance Officers Association (GFOA) recommends that governments establish financial planning policies. More specifically, GFOA recommends that governments adopt policies that support a financial planning process that assesses the long-term financial impact of current and proposed operating and capital budgets, in addition to budget, cash management and investment policies. GFOA also recommends that financial plans, which include forecasts of revenues and expenditures, be shared with stakeholders for their input. Furthermore, GFOA recommends the following practices:

- **Achieve consensus on a revenue forecast:** A process that provides for developing consensus on the revenue forecast is more likely to remove the forecast from ongoing dispute and keep the budget process on track. The process of achieving consensus helps ensure a critical review of assumptions underlying the forecast.

- **Document revenue sources in a revenue manual:** The documentation of revenue sources promotes a better understanding of a government's resources.

Revenue documentation is also important as an administrative function, since budget operations often experience frequent staff turnover.

By failing to adopt formal policies that address the development of the five-year forecast, the District increases the likelihood that the forecast does not address critical factors or adequately reflect stakeholder input. Moreover, the lack of a broad range of stakeholder input (i.e., the Superintendent and Board members) in the development of the five-year forecast increases the risk of excluding important factors and assumptions that could significantly affect the District's future financial condition.

R2.5 The Treasurer should explain the basis for the District's projections in the assumptions accompanying the five-year forecast. Providing more detail in the forecast and supporting assumptions would enable the Board and public to better understand the projections and, in turn, the District's future financial condition. Additionally, the Treasurer should ensure the assumptions supporting the projections are presented consistently throughout the forecast document.

In some instances, the assumptions accompanying the District's five-year forecast do not explain the basis for the projections. For example, the District's assumptions do not explain the basis for projecting real estate tax revenues to increase approximately three percent annually from FY 2006-07 to FY 2009-10. Real estate taxes are the largest source of revenue for the District and comprised 58 percent of the District's total revenues in FY 2004-05. Additionally, the District's assumptions do not explain the rationale for selecting an appreciation rate of six percent annually for purchased service expenditures. In FY 2004-05, purchased services expenditures totaled approximately $3.0 million. Furthermore, the summary of projection factors following the forecasted figures indicate that tangible personal property taxes were projected to decrease two percent annually, while the ensuing assumptions state that the District anticipates tangible personal property taxes to decrease an average of three percent annually.

According to AOS' *Best Practices* (Spring 2004), assumptions should be sufficiently detailed to allow the reader to understand the factors included in each line item of the forecast. Best practice forecasts are accompanied by explanations of each assumption which often include supporting documentation, such as trend analyses, expert opinions, or other critical information.

Although the Treasurer was able to verbally explain and confirm the basis for the projections, the lack of disclosure of supporting rationale in the assumptions prevents readers from fully understanding the District's projections.

Revenue and Expenditures Analysis

R2.6   **Chardon LSD should closely examine the spending patterns and the cost reductions recommended in the human resources, facilities, transportation, food service and technology sections of this report in an effort to regain financial stability. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education.**

Table 2-4 shows the governmental fund expenditures per student and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Chardon LSD and the peer districts.

Table 2-4: FY 2004-05 Governmental Funds Operational Expenditures

	Chardon LSD		Anthony Wayne LSD		Canfield LSD		Highland LSD		Peer Average	
	ADM:	3,161	ADM:	3,808	ADM:	3,001	ADM:	2,740	ADM:	3,183
	$ per Student	% of Total	$ per Student	% of Total	$ per Student	% of Total	$ per Student	% of Total	$ per Student	%of Total
Regular Instruction	$3,729	41.3%	$3,936	49.0%	$3,903	52.4%	$3,577	42.5%	$3,823	48.0%
Special Instruction	$934	10.4%	$500	6.2%	$465	6.2%	$816	9.7%	$580	7.3%
Vocational Education	$89	1.0%	$66	0.8%	$75	1.0%	$91	1.1%	$76	1.0%
Other Instruction	$132	1.5%	$0	0.0%	$3	0.0%	$24	0.3%	$8	0.1%
Total Instruction	**$4,884**	**54.1%**	**$4,501**	**56.0%**	**$4,446**	**59.6%**	**$4,508**	**53.6%**	**$4,487**	**56.4%**
Pupil Support Services	$513	5.7%	$339	4.2%	$293	3.9%	$376	4.5%	$335	4.2%
Instructional Support Services	$412	4.6%	$227	2.8%	$420	5.6%	$554	6.6%	$382	4.8%
Board of Education	$8	0.1%	$196	2.4%	$9	0.1%	$8	0.1%	$83	1.0%
Administration	$732	8.1%	$608	7.6%	$537	7.2%	$791	9.4%	$638	8.0%
Fiscal Services	$247	2.7%	$231	2.9%	$157	2.1%	$295	3.5%	$226	2.8%
Business Services	$108	1.2%	$48	0.6%	$75	1.0%	$14	0.2%	$47	0.6%
Plant Operation & Maintenance	$769	8.5%	$975	12.1%	$661	8.9%	$1,022	12.1%	$889	11.2%
Pupil Transportation	$731	8.1%	$624	7.8%	$521	7.0%	$478	5.7%	$550	6.9%
Central Support Services	$66	0.7%	$27	0.3%	$42	0.6%	$58	0.7%	$41	0.5%
Total Support	**$3,585**	**39.7%**	**$3,276**	**40.8%**	**$2,714**	**36.4%**	**$3,595**	**42.7%**	**$3,191**	**40.1%**
Non-Instructional Services	$353	3.9%	$26	0.3%	$21	0.3%	$0	0.0%	$17	0.2%
Extracurricular Activities	$198	2.2%	$232	2.9%	$274	3.7%	$307	3.6%	$267	3.3%
Operating Expenditures	$9,020	100%	$8,035	100%	$7,455	100%	$8,410	100%	$7,962	100%
Total Operating Expenditures	$9,020	100.0%	$8,035	78.8%	$7,455	68.0%	$8,410	71.0%	$7,962	73.0%
Facilities Acquisition and Construction Services	$0	0.0%	$864	8.5%	$64	0.6%	$2,441	20.6%	$1,065	9.8%
Debt Service	$0	0.0%	$1,298	12.7%	$3,443	31.4%	$998	8.4%	$1,886	17.3%
Total Expenditures	**$9,020**	**100%**	**$10,197**	**100%**	**$10,963**	**100%**	**$11,849**	**100%**	**$10,913**	**100%**

Source: Chardon And Peer District 4502's

Table 2-4 shows that the District's total expenditures per student are $1,893 lower than the peer average. However, this is primarily due to Chardon LSD not having debt service or facilities acquisition and construction services expenditures. When excluding facilities acquisition and construction services, and debt service, Chardon LSD's per pupil operating expenditures are $1,058 or 13 percent higher than the peer average.

As shown in **Table 2-4**, the District's instructional expenditures ($4,884 per student) were approximately 9 percent higher than the peer average of $4,487 per student. In addition, the District's instructional expenditures comprised a lower percentage of total operating percentages when compared to Anthony Wayne LSD and Canfield LSD. In terms of pupil instruction, Chardon LSD's expenditures were higher in the following categories:

- **Special Education** – Chardon LSD spent approximately 61 percent more per student than the peer average in this category, which is partially due to employing more special education FTEs per 1,000 students at higher salary levels. However, the higher staffing levels and special needs costs are due, in part, to the higher percentage of students with disabilities in the District. In FY 2004-05, students with disabilities comprised 11.4 percent of the student population, higher than each peer. The percentage of students with disabilities at Anthony Wayne LSD, Canfield LSD and Highland LSD were 6.9, 9.6, 10.7 percent, respectively, in FY 2004-05. Special education staffing and salaries are reviewed in more detail in the **human resources** section.

- **Vocational Education** – Chardon LSD spent approximately 17 percent more per student than the peer average in this category. Similar to special education, this is due, in part, to employing more vocational teacher FTEs per 1,000 students at higher salary levels. The District's vocational program, staffing and salaries are reviewed in more detail in the **human resources** section.

- **Other Instruction** – The District spent approximately $124 (1,500 percent) more per student than the peers on other instruction. The Treasurer indicated that she has not used this account in the past; however, the previous treasurer used other instruction to account for deductions from school foundation, community school, and post secondary options. The Treasurer indicated that the peer school districts may be accounting for those costs in regular instruction.

The District was also above the peer average for total expenditures per student in support services and non-instructional services. In support services, Chardon LSD's expenditures were higher in the following categories:

- **Pupil Support Services** – Chardon LSD spent $178 more (53 percent) per student than the peers on pupil support services. The Treasurer attributed the high expenditures to requiring speech services for every IEP filled out in the elementary school. At stated previously, the District's percentage of students with disabilities was higher than each peer in FY 2004-05. In addition, the District accounts for its entire computer service A-site costs ($120,000) in pupil support services.

- **Administration** – The District spent $94 more (14.8 percent) per student than the peers in administration costs. The Treasurer indicated that the only expenditures that are accounted for in administration are salaries and benefits, including some of the secretaries' salaries. Therefore, the higher administration expenditures per student are due to the higher average salaries for administrators and clerical staff. The District's administration and clerical salaries are reviewed in more detail in the **human resources** section.

- **Fiscal Services** – Chardon LSD spent $21 more (9.3 percent) per student than the peers in fiscal services. The Treasurer attributed the high fiscal service costs to the fact that the property tax fees, county board of education fees, and all auditor charges are being charged to fiscal services.

- **Business Services** – The District spent $61 more (129.8 percent) per student than the peers in business services. The Treasurer indicated that the high business services costs are related to the District's expenditures for the public relations community coordinator and business manager.

- **Pupil Transportation** – Chardon LSD spent $181 more (32.9 percent) per student than the peers in pupil transportation. The Treasurer indicated that the high expenditures are due to the District's purchase of three replacement buses in FY 2004-05. However, the District's higher salary levels for bus drivers and the lower threshold for part-time staff to qualify for health care benefits also contribute to the higher transportation expenditures per student. The District's transportation costs will be reviewed in more detail in the **transportation** section.

- **Central Support Services** – The District spent $25 more (61 percent) per student than the peers in central support services. The Treasurer attributed the high expenditures to the salary and benefits of the Technology Coordinator and all of the general public information expenses that are incurred by the Public Relations Community Coordinator, such as flyers, newsletters, and other publications.

Because the District's average salaries are higher in each major classification when compared to the peer average, the related costs also contribute to the higher expenditures per student in pupil support services, fiscal services, business services, and central support services.

Chardon LSD's total non-instructional expenditures per student were $336 higher (over 1,900 percent) than the peer average. This is primarily due to higher community service expenditures. The community service expenditures can include expenditures for community recreation services, civic services, custody and child care services, and non-public school services.

Chardon LSD met all 23 of the performance indicators in FY 2004-05, similar to Canfield LSD and Highland LSD. In addition, the District's performance index score of 103.4 in FY 2004-05 was in line with the peer average. Given that the peers were able to achieve similar educational outcomes while spending less per student in operating expenditures, there appears to be an opportunity for Chardon LSD to reduce operating expenditures without negatively impacting the academic achievement of its students.

Strategic Planning

R2.7   **Chardon LSD should include specific benchmarks and measures in its strategic plan to easily and objectively measure attainment of its stated goals. In addition, the Board and District administration should monitor and communicate progress in the achievement of the strategic plan goals on a yearly basis. Furthermore, the District should develop and use performance standards and measures to ensure a high level of operational efficiency (see the facilities, food services, transportation and technology sections for performance standards and measures). Performance measures should also be included in the District's budget document (see R2.9)**

Chardon LSD's strategic plan contains the District's goals and objectives. According to the Assistant Superintendent, the District creates a yearly implementation plan that outlines the actions and steps needed to achieve the goals and objectives in the strategic plan. At the end of the year, the administration issues a report to the Board detailing objectives that were met, how they were met, as well as explanations for other objectives that were not met and why. However, the Board of Education was surveyed by AOS to measure the District's progress toward achieving objectives and goals from the strategic plan on a yearly basis. According to these results, the Board does not feel it is assessing the District's progress towards achieving the objectives identified in the strategic plan, which could be due to the Board not establishing goals for each term or year. In addition, 24 percent of respondents to the AOS employee survey do not feel that the Board monitors performance and achievement of its goals (see **appendix 3A** in the **human resources** section), and 25 percent were not aware of the Board's achievement goals.

Although the strategic plan includes objectives and action steps, it lacks specific benchmarks and measures in some cases. For instance, the District has a goal to maximize the current use of facilities, but does not define maximum use in measurable terms. Additionally, one of the steps identified in the partnership strategy is to "develop parents' awareness of what courses of study contain." However, the plan does not state how that step will be met.

According to the Government Finance Officers Association (GFOA), governmental entities should use some form of strategic planning to provide long-term perspectives for service delivery and budgeting. GFOA also recommends that entities monitor progress

towards planned goals at regular intervals. Organizations should develop systematic review processes to evaluate the extent to which strategic goals have been met. In the strategic planning process, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities, or at least as verifiable statements. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and activities funded in the budget. GFOA divides performance measures into the following four basic types:

- **Input measures**: Input indicators measure the volume of resources, both monetary and non-monetary, that are used in delivering a program or service. For example, total expenditures arising from the provision of a program or service are a frequently used a monetary input measure.

- **Output measures**: Output indicators report the quantity or volume of products and services provided by the program.

- **Effectiveness/Outcome Measures**: Effectiveness indicators measure the results, accomplishments, or quality of the item or service provided. For example, effectiveness indicators measure the quality of the program outputs, such as responsiveness, timeliness, compliance, accuracy, and customer satisfaction.

- **Efficiency measures**: Efficiency indicators quantify the relationship between input and output. They can be expressed as productivity ratios or as unit cost ratios.

Another term often expressed in relation to performance measurement is benchmarks and service efforts and accomplishments. Benchmarking refers to the process of seeking best practices and attempting to emulate them.

By not evaluating and monitoring the District's progress toward the achievement of the strategic goals, the Board may not be fulfilling its objectives within the strategic plan and utilizing this management tool to its full potential. Furthermore, the failure to include quantifiable indicators and performance measures in the strategic plan could hinder the District from determining whether goals have been fully achieved.

Budgeting

R2.8 **Similar to the development of financial forecasts (see R2.4), the District should identify stakeholder needs, concerns and priorities by promoting stakeholder participation throughout the budgeting process. Chardon LSD should also develop**

a comprehensive budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks.

The budget is prepared by the Treasurer, Superintendent, and department heads. The Treasurer indicated that if Board members have concerns or suggestions related to the budget, the Treasurer and Superintendent will discuss them with Board members. However, this is not a regular practice. In general, the District does not identify opportunities for stakeholder input in the budgeting process. The majority of the budget is based on achieving the goals identified in the District's strategic plan. Additionally, Chardon LSD has policies and procedures in place to guide the process for preparing and adopting a budget. However, the District does not prepare a comprehensive budget calendar.

According to the GFOA, the following practices should be included in the budgeting process:

- **Develop a budget calendar:** A government should publish a comprehensive budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks. The preparation of a calendar helps ensure that all aspects of the budget process have been considered and that adequate time has been provided.

- **Identify opportunities for stakeholder input:** Stakeholders should have clearly defined opportunities to provide input, which helps ensure their priorities are identified and enhances stakeholder support for the approved budget. Stakeholder input can be obtained in a number of ways, including public hearings, advisory commissions, informal conversations, round-table briefings, TV and video presentations, opinion surveys, neighborhood meetings, office hours, letter writing, telephone calls, and e-mail. The approaches are likely to differ with the size of the government.

R2.9   Chardon LSD should prepare a formal budget and include the following items suggested by GFOA in the formal budget:

- **A description of key policies, plans and goals;**
- **Identification of key issues;**
- **A financial overview, which can be partially obtained from the District's five-year forecast;**
- **A guide to District operations;**
- **An explanation of the budgetary basis of the District's accounting system;**
- **Key performance measures; and**
- **A budget summary.**

By including the above items in its budget document, the District would provide a clear and thorough understanding of the budget for its stakeholders. For example, including the District's goals from the strategic plan for the upcoming budget year would help convey how the goals relate to the budget. Furthermore, adding the District's current five-year forecast along with the budget proposal would help illustrate how the current budget relates to the District's future financial condition.

Chardon LSD adopts an annual budget, and the Treasurer updates the budget monthly and provides the Board with updated budget summaries. However, the budget document consists only of appropriations for every expenditure category, the prior year carryover balance, and anticipated revenues on a monthly basis.

According to GFOA, the proposed and adopted budget should be a comprehensive operating and financial plan. The budget document should communicate key fiscal and policy decisions, issues, and tradeoffs. In order to facilitate stakeholder understanding of the choices that have been made, it is essential that materials be prepared in format that is clear and comprehensible. GFOA recommends that the following items be included in the budget:

- **Description of key policies, plans and goals.** The identification of key programmatic and financial policies, plans, and goals assists stakeholders in determining the appropriateness of a district's direction and allows stakeholders to develop their own opinions as to whether the district's programs and decisions conform to or are likely to achieve those policies, plans, and goals.

- **Identification of key issues. The** identification of key issues focuses attention on critical areas, improves the likelihood that an appropriate level of deliberation will occur regarding decisions, provides accountability to stakeholders, and promotes trust.

- **A financial overview of the short and long-term financial plan.** Stakeholders need to have the financial plan of the district clearly identified in order to make the best budgetary decisions. A financial overview typically consists of financial statements and accompanying narrative, charts and graphics. The overview should clearly describe the current and projected financial position, fund balances, financial activities and expectations for the budget period, and the expected implications for future periods.

- **A guide to operations.** This information provides a context for allocations of resources in the budget, and allows decision makers a basis for making reasoned decisions. It also provides readers with a guide to the government's programs and the organizational structure in place to provide those programs and services.

- **Explanation of the budgetary basis of accounting.** Explaining the differences between the budgetary basis of accounting and the basis used in preparing the annual financial report helps stakeholders understand and interpret the numbers presented in each document, and helps to prevent errors during preparation or interpretation of the budget.

- **A budget summary.** A concise summary of the key issues, choices, and financial trends is needed to inform and direct the reader to the appropriate location for additional information, because most stakeholders do not want to take the time to read and understand all of the details in a budget.

GFOA also indicates that performance measures, including efficiency and effectiveness measures, should be presented in basic budget materials, including the operating budget document, and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of previously developed goals and objectives (see **R2.7**).

The absence of the above items in the budget document hinders stakeholders and other readers from clearly understanding the basis for the budget, and the environment that impacts the budget and related financial decisions.

Financial Policies and Procedures

R2.10 Chardon LSD should develop financial policies that address the following topics:

- **Stabilization of funds;**
- **Debt level and capacity (see R2.12 for debt management);**
- **Use of one-time and unpredictable revenues;**
- **Revenue diversification; and**
- **Contingency planning to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.**

In addition, the District should periodically review its financial policies and procedures to identify appropriate changes and ensure they are still relevant (see the human resources section for more information about policy review).

Chardon LSD does have financial policies based on the Ohio School Boards Association (OSBA) policy framework, including policies for balancing the budget and for fees and charges. However, it does not have policies that address the following areas:

- Stabilization of funds;
- Debt level and capacity;
- Use of one-time revenues;
- Use of unpredictable revenues;
- Revenue diversification; and
- Contingency planning.

According to GFOA (1998), a school district should develop a comprehensive set of financial policies. Financial policies should be consistent with broad goals, the outcome of sound analysis, and an integral part of the development of service, capital and financial plans, and the budget. Also, all other adopted budgetary practices of a government should be consistent with these policies. GFOA provides specific guidance in developing policies for the following areas:

- **Stabilization of funds:** A government should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Once developed, policies should be identified in other government documents, including planning and management reports.

- **Debt level and capacity:** A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body (see **R2.12** for debt management policy).

- **Use of one-time revenues:** A government should adopt a policy limiting the use of one-time revenues for ongoing expenditures. One-time revenues, and allowable uses for those revenues, should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process.

- **Use of unpredictable revenues:** A government should identify major revenue sources it considers unpredictable and define how these revenues may be used. For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most

importantly, a government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.

- **Revenue diversification:** A government should adopt a policy that encourages a diversity of revenue sources. The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues.

- **Contingency planning:** A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.

Once developed, financial policies should be publicly available and reviewed periodically. Financial policies serve as a starting point for financial decisions, improve the ability of a school district to take timely action, and aid in the overall management of the budget.

R2.11 Chardon LSD should periodically assess its financial accounting and reporting processes to increase efficiency and eliminate possible duplication of duties. The District's policies and procedures should also be updated to reflect any changes made to financial processes. See R3.2 in the human resources section for more information on policy updates and development.

The District does not periodically assess its financial accounting and reporting practices to determine efficiency and effectiveness. In addition, the Treasurer indicated that policies and procedures need to be updated. However, the Treasurer did not feel that any duplications of effort were occurring, since the department has only 4.0 FTE financial staff.

According to GFOA (2002), the documentation of accounting policies and procedures should be updated periodically according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. Documentation should delineate the authority

and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures.

R2.12 Chardon LSD should develop and maintain formal debt management policies that include debt level and capacity (see R2.10), types, limitations of outstanding debt, structural features, and legal and statutory limitations on debt issuance. The policies and procedures should be updated periodically and be made available to the public and other stakeholders.

Chardon LSD does not have formal written policies and procedures in place for debt management. This is mainly due to the fact that the District does not issue debt very often. For instance, no debt is projected during the five-year forecast. However, the Treasurer indicated that the District evaluates debt capacity prior to issuing debt. The Treasurer reviews the District's revenues and would obtain authorization from the state superintendent before issuing debt.

According to the Government Finance Officers Association (GFOA), a government should adopt policies to guide the issuance and management of debt. Elements of policies on debt issuance and management include:

- Purposes for which debt may be issued,
- Matching of the useful life of an asset with the maturity of the debt,
- Limitations on the amount of outstanding debt,
- Types of permissible debt,
- Structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints,
- Refunding of debt; and
- Investment of bond proceeds.

GFOA further indicates that debt policies should be made available to the public and other stakeholders. Because these policies are essential to budget decision making, particularly capital budgets, they should be reviewed by decision makers during the annual budget process and summarized in the budget document. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan (see the **facilities** section for capital planning).

R2.13 Chardon LSD should establish written procedures for risk management. This would help the District effectively perform activities related to risk management,

particularly if it decides in the future to independently analyze insurance plans from multiple agencies. Developing written procedures would also help the District better ensure compliance with various laws and regulations related to risk management.

The District has a high level Board policy concerning insurance management, but it does not have formal procedures that enable it to provide effective risk management. The Treasurer indicated that the District's property, vehicle, and liability insurance plans are analyzed every year by an insurance consultant who provides a comparison between providers based on deductible amounts and types of coverage. In addition, the District receives a quarterly cost analysis for its health care plan from its third party administrator. Although the District receives these analyses, there are no written procedures to guide these processes.

According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) *Best Practices*,, a district should have written procedures and periodically update them to ensure effective risk management. The procedures should require the following:

- Clear and complete financial contract terms for all insurance contracts;
- An analysis of current insurance plans including deductible amounts, co-insurance levels, and types of coverage provided; and
- A comparison of costs and a risk analysis with peer districts.

R2.14 **The District should adopt a Board-approved ethics policy that requires District staff to conduct themselves in a manner that avoids favoritism, bias, and the appearance of impropriety. The ethics policy should contain conduct restraints that mirror those recommended by the Ohio Ethics Commission.**

Chardon LSD does have an ethics policy for the Board of Education but does not have an ethics policy for staff. According to the Ohio Ethics Commission, agency officials and employees must, at all times, abide by protections to the public embodied in Ohio's ethics laws, as found in Chapters 102 and 2921 of the Ohio Revised Code, and as interpreted by the Ohio Ethics Commission and Ohio Courts. Officials and employees must conduct themselves, at all times, in a manner that avoids favoritism, bias, and the appearance of impropriety.

According to the Ohio Ethics Commission, a general summary of restraints on the conduct of all officials and employees includes, but is not limited to the following statements. No official or employee shall:

- Solicit or accept anything of value from anyone doing business with the agency;

- Solicit or accept employment from anyone doing business with the agency, unless the official or employee completely withdraws from agency activity regarding the party offering employment, and the agency approves the withdrawal;

- Use his or her public position to obtain benefits for the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship;

- Be paid or accept any form of compensation for personal services rendered on a matter before any board, commission, or other body of the agency, unless the official or employee qualifies for the exception, and files the statement, described in R.C. 102.04(D);

- Hold or benefit from a contract with, authorized by, or approved by, the agency;

- Vote, authorize, recommend, or in any other way use his or her position to secure approval of an agency contract (including employment or personal services) in which the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship, has an interest;

- Solicit or accept honoraria;

- During public service, and for one year after leaving public service, represent any person, in any fashion, before any public agency, with respect to a matter in which the official or employee personally participated while serving with the agency;

- Use or disclose confidential information protected by law, unless appropriately authorized; and

- Use, or authorize the use of, his or her title, the name of the agency, or the logo in a manner that suggests impropriety, favoritism, or bias by the agency or the official or employee.

An ethics policy will provide the District with a set of principals that enhance its community image and serve as a guideline for staff behavior. Demonstrating to the public its desire to be seen as a professional organization modeling integrity and honesty will provide long-term benefits to the community's perceptions of how Chardon LSD operates. This is especially important for the Treasurer's Office as the holder of the District's funds.

Financial Reporting

R2.15 Chardon LSD should consider supplementing its comprehensive annual financial reports with popular annual financial reports (PAFR). The PAFR should be designed to assist those who need or desire a less detailed overview of the District's financial activities. Issuance of a PAFR will help keep the community informed of the District's financial condition. In addition, the PAFR should encourage community members to provide feedback in order to improve the format and information provided in the report.

Chardon LSD has an annual independent audit of its financial statements based upon GAAP (generally accepted accounting principles). The District also prepares a comprehensive annual financial report (CAFR). This information is shared with tax payers in several ways. Specifically, the District ensures that residents are informed about financial matters by making its annual financial report available to the public on the its website and distributing annual calendars to the parents and guardians of the students that contain financial information important to taxpayers.

The Government Finance Officers Association (GFOA) encourages every state and local government to issue a comprehensive annual financial report (CAFR) that conforms with GAAP. GFOA also encourages governments to supplement their CAFRs with simpler, "popular" reports designed to assist those who need or desire a less detailed overview of financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant.

- The scope of the popular report should be clearly indicated.

- The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information.

- The popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format, and be written in a concise and clear style.

- The popular report should avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics.

- The narrative should be used, as appropriate, to highlight and explain items of particular importance.

- Comparative data should be used constructively to help identify trends useful in the interpretation of financial data.

- Popular reports should be distributed in a number and manner appropriate to their intended readership.

- Popular report preparers should strive for creativity.

- Users of popular reports should be encouraged to provide feedback.

- The popular report should establish credibility with its intended readers by presenting information in a balanced and objective manner.

In the absence of a PAFR, the District may discourage those unfamiliar with accounting and financial reporting from reviewing and understanding its financial information.

R2.16 The District should provide additional financial documents and information on its website, including a PAFR (see R2.15), levy information, and formal budget documents (see R2.9).

Currently the District's website consists of financial reports that the public can use as an opportunity to learn of the District's financial position. The financial reports that are available on the District's website include the comprehensive annual financial report, a one-page, high-level presentation of revenues and expenditures from FY 2003-04 to FY 2006-07, and the District's five-year forecast.

According to GFOA, a government should publish its budget documents and CAFR directly on its website. GFOA also recommends that a government follow guidelines when presenting these documents on its website. The guidelines include the following:

- The electronic CAFR should be identical to the printed versions;
- The website should state whether the budget document is preliminary or the approved budget;
- Historical information should be clearly stated as such, and should be clearly segregated from the current fiscal year; and
- Website security should provide protection from manipulation

The Westerville City School District (WCS) provides its community with several key financial reports that pertain to District operations via its website. Its website consists of the following five major components:

- **Levy Information** – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calendar, Income Tax Calculator, Ohio School District Income Tax, Glossary of Terms;

- **Budget Appropriations** – Current Five-Year Forecast, Understanding the Five-Year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year-end Analysis;

- **Taxes/Millage/Valuation** – Tax Calculator, Presentation of Governor's Blue Ribbon Task Force on Student Success, Franklin County Area School District's Effective Tax Rates (Historical Information), WCS Tax Rate History, Q&A on Taxes and Millage;

- **Annual Report** – Two years historical information for both the CAFR and PAFR, and the most recent CAFR; and

- **Miscellaneous** – State Performance Audit, School Finance Terms, State Financial Designations, and Local Report Cards.

Providing additional financial documents and information on the District's website would increase awareness of the existence of these documents and information. Posting the information on the website also would reduce the time needed for public document requests and eliminate any cost associated with providing the information. In addition, the electronic form also would provide the users with a computerized tool to find, extract, and analyze the data contained in these documents.

Payment Procedures, Payroll, and Purchasing

R2.17 The District should develop and implement formal procedures outlining and guiding the vendor payment process. Formal procedures would help to ensure that vendors are paid on time. The formal procedures should include developing time standards for the payment process, prioritizing payments to vendors offering discounts, tracking due dates, and performing post-audits of vendor payments to ensure compliance with the formal procedures.

The District does not have policies or procedures in place to ensure timely payments. In addition, the District does not have a cash management system that calculates due dates or a system to establish time standards for the payment process. Based on a sample of 36

purchases, the District paid 31 of the 36 bills on time. Regarding the five late payments, the Treasurer indicated that the District will not pay an invoice without a copy of the receipt. The five late payments were paid, on average, 38 days following the invoice date.

The Government Accountability Office (GAO)'s *Report to the Mayor of the District of Columbia* (1983) recommends several safeguards to ensure timely payments to vendors, including the following:

- Require priority handling of payments to vendors offering purchasing discounts;
- Standardize all policies, procedures, and documents relating to the payment process, and consolidate them in a single, comprehensive manual;
- Develop time standards for the payment process;
- Generate reports on the timeliness of payments and on prompt payment discounts lost and taken;
- Develop a cash management system that calculates due dates and schedules payments to be made when due; and
- Perform post-audits to ensure compliance with established procedures, policies, and internal controls.

While the District appears to be paying a majority of its bills on time, the lack of formal procedures for the vendor payment process weakens the internal control environment. For example, the risk of staff not following appropriate procedures is increased, particularly if new employees are involved in the process.

R2.18 The District should expand the use of direct deposit and consider negotiating mandatory direct deposit in future union agreements.

Although direct deposit is not mandatory, approximately 80 percent of the staff uses it. According to *Accounting Best Practices* (Steven M. Bragg, 2005), entities should take advantage of direct deposit. The best practice involves issuing payments directly to employee bank accounts. Using direct deposit can help eliminate some of the steps involved in issuing paychecks, including the following:

- Printing checks, including manual cancellation of the first batch of checks and new print runs when initial check runs fail;
- Signing of checks by an authorized individual, who may have questions about payment amounts that require additional investigation;
- Distributing checks; and
- Tracking checks not cashed and following up with employees.

Besides avoiding some of the steps involved with issuing paychecks, it carries the additional advantage of putting money in employee bank accounts at once. However, paper-based notification of direct deposit payment may still need to be sent to employees. While this would require printing and distribution steps, there would be no need for signing the notifications or tracking pay checks not yet cashed by employees. *Accounting Best Practices* (Steven M. Bragg, 2005) further indicates that if properly implemented, direct deposit can be a clear advantage to both the accounting department and employees.

R2.19 **The District should consider implementing a purchasing card (p-card) system and establishing appropriate controls on the use of p-cards (e.g., for purchases of items costing less than $1,000). Doing so would expedite purchase order processing and reduce the related costs. District controls should include the establishment of appropriate policies and procedures when implementing the p-card purchasing system. The compatibility of the p-card with USAS software should also be considered during the selection of a p-card provider.**

The Treasurer indicated that the District does not use purchase cards or credit cards for small dollar purchases. Instead, it uses either petty cash or purchase orders.

In an effort to help governments across Ohio provide the best services and accountability to citizens, AOS has developed a publication entitled *Best Practices*. Volume 1, Issue 2 (Winter 2004) of *Best Practices* highlights model policies for the use of government purchasing cards. According to this issue, p-cards are designed to streamline the acquisition process by issuing one check to a credit card company instead of multiple checks to a supplier. Consequently, governments realize significant savings in transaction costs and personnel resources. Other benefits associated with p-card programs, including those identified by GFOA, are:

- Simplified authorization, payment, and review processes;
- Expedited delivery of goods;
- Less paperwork and documentation;
- Expanded options of suppliers, merchants, and vendors;
- Enhanced ability to establish and enforce purchasing limits and other restrictions;
- Immediate electronic authorization and verification at the point-of-purchase;
- Facilitated reviews of purchased items via online account information;
- Improved reporting capabilities via management information systems; and
- Fewer items to stock and inventory.

According to GFOA, p-card programs should be designed to be simple and easy to use; however, governments need to maintain appropriate controls, in accordance with their purchasing policies, to ensure the ongoing success of purchasing cards. These controls should include:

- Written agreements with banks, which include fee schedules and processing procedures;
- Written policies and procedures for internal staff;
- Instructions on employee responsibility and written acknowledgments signed by the employee;
- Spending and transaction limits for each cardholder on both a per transaction and monthly basis;
- Written requests for higher spending limits;
- Recordkeeping requirement, including review and approval processes;
- Clear guidelines on the appropriate uses of purchasing cards, including approved and unapproved Merchant Category Codes (MCC);
- Guidelines for making purchases by telephone and fax or over the Internet;
- Periodic audits of card activity, retention of sales receipts and documentation of purchases;
- Procedure for handling disputes and unauthorized purchases;
- Procedures for card issuance and cancellation, lost or stolen cards, and employee termination; and
- Segregation of duties for payment approvals, accounting and reconciliations.

The Ohio Office of Budget and Management (OBM) payment card program is designed to empower state employees to make small-dollar purchases. The program allows employees to acquire goods and certain services, as they are needed for operations and without undue delay. It is designed primarily for the purchase of tangible materials, equipment, supplies, and approved services that cost less than $1,000. OBM has policies and guidelines for the issuance and use of the payment card.

R2.20 Chardon LSD should analyze and use the financial recovery plan outlined in Table 2-5 to evaluate the effect of recommendations presented in this performance audit on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its future financial difficulties. In addition, Chardon LSD should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.

Even by including the financial impact of all of the performance audit recommendations and assuming renewal of the two-year levy passed in May 2006, negative ending fund balances are projected from FY 2006-07 to FY 2009-10. Therefore, the District should consider various options to further reduce expenditures, including the following:

- **Reducing up to 20.0 FTE regular teachers to operate closer at the State maximum average regular student-to-teacher ratio of 25:1;**
- **Reducing up to 11.7 FTE educational services personnel (ESP) positions to operate closer to the State minimum number of 5.0 ESP FTEs per 1,000 regular students;**
- **Reducing transportation services closer to State minimum standards (see the transportation section); and**
- **Further addressing the high salary levels across the District (see human resources).**

The District should discuss such options with the community to determine stakeholder needs and desires regarding service levels. If the community prefers that current service levels be maintained, additional revenues may be necessary to stabilize the District's financial condition and consideration should be given to placing a new levy on the ballot. In doing so, Chardon LSD should demonstrate accountability by sharing information with the public concerning how revenue will be spent and how the levy will benefit future operations.

Table 2-5 presents a potential financial recovery plan for use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. Additionally, **Table 2-5** includes the revised projections outlined in **R2.2** and **R2.3** to present a more appropriate forecast of these items.

For Chardon LSD to maintain an acceptable level of financial stability, it will need to make difficult management decisions regarding potential means for increasing revenue and reducing expenditures. This performance audit provides a series of recommendations Chardon LSD should consider. However, the audit is not all inclusive, and other cost saving and revenue enhancing options should be continuously assessed and incorporated into the financial recovery plan.

Table 2-5: Proposed Recovery Plan (in 000s)

	Actual			Forecasted				
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Real Estate Property Tax	$13,821	$14,186	$14,511	$14,452	$14,865	$15,290	$15,728	$16,177
Revised Tangible Personal Tax	$2,310	$2,025	$2,001	*$1,661*	*$1,119*	*$508*	*$430*	*$376*
Revised Unrestricted Grants-in-Aid	$5,705	$6,319	$6,080	*$6,287*	*$6,822*	*$7,426*	*$7,500*	*$7,549*
Restricted Grants-in-Aid	$232	$242	$140	$58	$58	$58	$58	$58
Property Tax Allocation	$1,678	$1,725	$1,797	$1,934	$1,992	$2,051	$2,113	$2,176
Revised All Other Revenues	$619	$467	$491	*$508*	*$526*	*$544*	*$564*	*$583*
Total Revenues	*$24,365*	*$24,964*	*$25,020*	*$24,900*	*$25,382*	*$25,877*	*$26,393*	*$26,919*
Total Other Financing Sources	$121	$153	$16	$577	$48	$48	$48	$48
Total All Revenues	**$24,486**	**$25,117**	**$25,036**	*$25,477*	*$25,430*	*$25,925*	*$26,441*	*$26,967*
Personal Services	$14,334	$15,132	$15,975	$16,119	$16,844	$17,602	$18,395	$19,222
Fringe Benefits	$4,417	$5,225	$5,505	$5,953	$6,340	$6,752	$7,191	$7,658
Purchased Services	$2,752	$2,963	$2,972	$3,158	$3,348	$3,548	$3,761	$3,987
Supplies and Materials	$1,085	$990	$881	$1,016	$1,056	$1,098	$1,142	$1,188
Capital Outlay	$327	$118	$225	$28	$150	$150	$150	$150
Other Objects	$396	$531	$482	$535	$562	$590	$620	$651
Total Expenditures	**$23,311**	**$24,959**	**$26,040**	**$26,809**	**$28,300**	**$29,740**	**$31,259**	**$32,856**
Total Other Financing Uses	$713	$150	$129	$883	$225	$225	$225	$225
Total All Expenditures	**$24,024**	**$25,109**	**$26,169**	**$27,692**	**$28,525**	**$29,965**	**$31,484**	**$33,081**
Result of Operations (Net)	**$462**	**$8**	**($1,133)**	**($2,215)**	**($3,095)**	**($4,040)**	**($5,043)**	**($6,114)**
Beginning Cash Balance	$2,747	$3,209	$3,217	$2,084	$1,218	($1,877)	($5,917)	($10,960)
Ending Cash Balance	**$3,209**	**$3,217**	**$2,084**	**$1,218** [1]	**($1,877)**	**($5,917)**	**($10,960)**	**($17,074)**
Outstanding Encumbrances	$313	$495	$285	$449 [1]	$250	$250	$250	$250
Budget Reserve	$569	$569	$569					
Total Reservations	$569	$569	$569	$0	$0	$0	$0	$0
Fund Balance for Certification of Contracts, Salary Schedules, Other Obligations	**$2,327**	**$2,153**	**$1,230**	**$769** [1]	**($2,127)**	**($6,167)**	**($11,210)**	**($17,324)**
Cumulative Balance of New Levy: Passed in May 2006					$1,614	$4,806	$7,998	$11,190
Unreserved Fund Balance June 30	**$2,327**	**$2,153**	**$1,230**	**$769** [1]	**($513)**	**($1,361)**	**($3,212)**	**($6,134)**
Cumulative Impact of Performance Audit Recommendations					$300 [2]	$1,200	$2,136	$3,200
Adjusted Fund Balance					($213)	($161)	($1,076)	($2,934)

Source: Chardon LSD's financial forecast and recommendations identified throughout this performance audit.

Note: Numbers may very depending upon rounding. AOS revisions are reflected in this revised forecast and these are shown in italics and marked as revised.

[1] Adjustment made to reflect actual ending balances for FY 2005-06, which has been subsequently carried forward in future years.

[1] Only took half of annual impact for applicable recommendations, assuming that the earliest the District can implement is half-way through FY 2006-07.

Table 2-6 summarizes the performance audit recommendations reflected in the proposed recovery plan presented in **Table 2-5**. Recommendations are divided into two categories – those requiring negotiation and those not requiring negotiation.

Table 2-6: Summary of Performance Audit Recommendations

	2006-07	2007-08	2008-09	2009-10
Recommendations not Subject to Negotiation				
R3.4 Eliminate Administrative Pick-up on Pick-up	$147,000	$151,410	$155,952	$160,631
R3.15 Purchase HR software system and sub calling system	($42,300)	($6,300)	($6,300)	($6,300)
R4.1 Reduce 5.0 custodial FTEs	$210,000	$219,450	$229,325	$239,645
R4.2 Improve purchasing policies and process	$60,000	$62,400	$64,896	$67,492
R4.4 Purchase maintenance management system	($19,600)	$0	$0	$0
R4.5 Purchase custodial methods and procedure manual	($60)	$0	$0	$0
R4.8 Develop formal energy management program	$57,000	$60,420	$64,045	$67,888
R5.1, R5.2, R5.2 and R5.4 Net impact of food service recommendations on the General Fund	($19,250)	$9,750	$9,750	$100,000
R6.3 Eliminate five buses and drivers	$118,200	$123,519	$129,077	$134,886
R6.3 Eliminate 5 buses - insurance savings	$4,800	$5,040	$5,292	$5,557
R6.3 Purchase routing software	($22,500)	($2,500)	($2,500)	($2,500)
R6.3 Avoid replacement costs for 5 buses	$60,000	$60,000	$60,000	$60,000
R6.4 Reduce cost of payment-in-lieu contracts	$1,600	$1,600	$1,600	$1,600
R6.7 Reduce supply costs	$9,200	$9,568	$9,951	$10,349
R6.9 Reduce 1.0 mechanic FTE and 1.0 fueler/masher/mechanic helper FTE	$90,000	$94,050	$98,282	$102,705
R7.2 Replace computers every five years	($118,000)	($123,900)	($130,095)	($136,600)
Subtotal	*$536,090*	*$664,507*	*$689,276*	*$805,352*
Recommendations Subject to Negotiation				
R3.6 Require 10 Percent Employee Contribution toward health Insurance Premiums	$84,000	$89,460	$95,275	$101,468
R3.6 Require 20 Percent Employee Contribution toward Dental Insurance Premiums	$35,000	$37,275	$39,698	$42,278
R3.7 Alter health plan benefits to reduce premiums	$11,800	$12,567	$13,384	$14,254
R3.9 Eliminate provision requiring additional support staff	$19,200	$19,200	$19,200	$19,200
R3.10 Reduce or eliminate sick leave incentive	$18,000	$18,000	$18,000	$18,000
R3.13 Reduce sick leave use	$21,700	$22,351	$23,022	$23,712
R4.3 Reduce overtime costs through addressing contract issues	$35,000	$36,575	$38,221	$39,941
Subtotal	*$224,700*	*$235,428*	*$246,799*	*$258,853*
Total of Recommendations	**$760,790**	**$899,935**	**$936,075**	**$1,064,205**

Note: Recommendations appreciated based on the District's forecast assumptions.

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Human Resources

Background

This section of the performance audit focuses on Chardon Local School District's (Chardon LSD) human resources operations. The objective is to analyze human resource operations and develop recommendations for improvements and reductions in District expenditures. Best practice data from the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), ODE's Twenty Similar School District Report, and peer school districts are used for comparisons throughout this section of the report. The peer districts include Anthony Wayne Local School District (Anthony Wayne LSD), Canfield Local School District (Canfield LSD), and Highland Local School District (Highland LSD). Furthermore, AOS administered a survey of Chardon LSD's employees regarding human resources (HR) services and the results of the survey were used in this report. **Appendix 3A** at the end of this section contains the full results of the survey.

Organizational Structure and Function

Chardon LSD does not have a separate department dedicated to human resources functions. The primary responsibilities are completed by the Superintendent, Assistant Superintendent, Director of Personnel, Manager of Operations, Treasurer, school principals, and department heads. The Superintendent coordinates activities and programs used to recruit, select, and evaluate employees, and monitors compliance with minimum employment standards. The Assistant Superintendent supervises grant, title, and gifted programs, and develops and recommends curriculum. The Director of Personnel conducts activities that consist of personnel and contract administration, and administrative assistance. The Manager of Operations coordinates all classified personnel activities and functions, and oversees care of the District's property and buildings. The Treasurer conducts payroll functions and reviews budgetary items, as well as receiving, depositing, and accounting for all funds of the District. The principals and department heads complete evaluations, and address performance issues for staff in their buildings and departments. The clerical staff has human resource data entry and maintenance responsibilities.

Staffing

Table 3-1 illustrates the actual full-time equivalent (FTE) staffing levels at Chardon LSD, the average of the three peers, and the average of the 20 similar districts obtained from the Ohio Department of Education, as reported through the Educational Management Information System (EMIS). The FTEs in **Table 3-1** have been presented on a per 1,000 students basis because staffing levels are partially dependent on the number of students served.

Table 3-1: FTE Staffing Levels for FY 2004-05

Category	Chardon LSD		20 Similar Districts		Peer Districts	
	FTE Reported [1]	FTE per 1,000 Students	FTE Reported	FTE per 1,000 Students	FTE Reported	FTE per 1,000 Students
Administrators:	**14.00**	**4.24**	**17.09**	**5.23**	**16.00**	**4.77**
Site Based Administrators	9.00	2.73	8.56	2.62	7.67	2.29
Central Administrators	5.00	1.51	8.53	2.61	8.33	2.48
Educational Staff:	**185.70**	**56.27**	**196.31**	**60.11**	**202.27**	**60.27**
Curriculum Specialist	0.00	0.00	0.91	0.28	1.00	0.29
Counselors	5.00	1.51	5.86	1.79	6.33	1.89
Librarian/Media	4.00	1.21	2.31	0.71	1.69	0.50
Remedial Specialist	0.00	0.00	2.79	0.85	3.00	0.74
Regular Teachers	128.00	38.78	134.66	41.23	142.26	42.39
Special Education Teachers	19.60	5.94	18.85	5.77	14.49	4.32
Vocational Teachers	3.50	1.06	3.85	1.18	2.67	0.80
Tutor/Small Group Instructors	12.90	3.91	5.71	1.75	13.71	4.09
ESP Teachers	12.70	3.85	15.19	4.65	16.13	4.81
Supplemental Special Education	0.00	0.00	2.82	0.86	5.00	1.73
All Other Educational Staff	0.00	0.00	3.36	1.03	1.50	0.43
Professional Staff:	**8.10**	**2.45**	**5.99**	**1.83**	**5.83**	**1.74**
Psychologists	0.00	0.00	1.32	0.40	1.83	0.61
Registered Nurses	3.50	1.06	0.82	0.25	1.25	0.42
Social Worker	0.00	0.00	0.15	0.05	0.00	0.00
Physical Therapists	0.00	0.00	0.10	0.03	0.00	0.00
Speech & Language Therapists	2.60	0.79	2.00	0.61	2.33	0.80
Occupational Therapists	0.00	0.00	0.08	0.02	0.00	0.00
Visiting Teacher	0.00	0.00	0.00	0.00	0.00	0.00
All Other Professional Staff	2.00	0.61	1.52	0.47	9.00	2.21
Technical Staff:	**1.00**	**0.30**	**6.23**	**1.91**	**6.50**	**1.94**
Computer Support	0.00	0.00	0.83	0.25	2.50	0.81
Practical Nurses	0.00	0.00	0.29	0.09	0.00	0.00
Library Technicians/Aides	0.00	0.00	4.56	1.40	4.33	1.29
Instructional Paraprofessionals	0.00	0.00	0.07	0.02	0.00	0.00
All Other Technical Staff	1.00	0.30	0.48	0.15	1.33	0.40
Office/Clerical Staff:	**27.00**	**8.18**	**40.53**	**12.41**	**42.25**	**12.59**
Clerical	21.80	6.61	17.64	5.40	19.53	5.82
Teaching Aide	3.00	0.91	17.75	5.44	17.96	5.35
All Other Office/Clerical Staff	3.00	0.91	5.14	1.57	2.56	0.76
Maintenance Workers	**5.00**	**1.51**	**2.05**	**0.63**	**3.00**	**0.89**
Custodians/Groundskeepers	**19.00**	**5.76**	**22.89**	**7.01**	**25.56**	**7.62**
Bus Drivers	**37.34**	**11.31**	**27.91**	**8.55**	**44.94**	**13.39**
Food Service Workers	**16.09**	**4.88**	**18.62**	**5.70**	**19.03**	**5.67**
All Other Reported Personnel	**24.17**	**7.32**	**15.35**	**4.70**	**22.06**	**6.57**
Total Reported	**337.40**	**102.23**	**352.97**	**108.88**	**387.44**	**115.45**

Source: FY 2004-05 EMIS 20 Similar District Report and School Enrollment from Chardon LSD, the peer districts, and interviews.
Note: Totals may very slightly from actual due to rounding. Individual assessments of maintenance, bus drivers and food service employees will be completed in other sections of this report
[1] Reflects updated FTE employees confirmed by the district and therefore may not agree with EMIS data.

Overall, Chardon LSD's total staffing level per 1,000 ADM is lower than both the peer and the 20 similar district averages. As illustrated in **Table 3-1**, the District has higher FTE staffing levels per 1,000 ADM in the following categories:

- **Site-Based Administrators:** The District employs more site-based administrator FTEs per 1,000 ADM when compared to the 20 similar district average and peer average. However, this is due to differences in the number of buildings. More specifically, the District employs 1.5 site based administrator FTEs per school building, which is equal to the peer average. Furthermore, based on the District's significantly lower number of central administrator FTEs per 1,000 ADM, the higher site-based administrator FTEs could also be partially due to differences in the assignment of job functions to administrative staff.

- **Librarian/Media:** Chardon LSD's librarian/media staffing appears higher per 1,000 ADM than the peer and similar district averages. However, districts also code library/media staffing within the library technician category (shown in the Technical Staff section of **Table 3-1**), which could affect this comparison. When combining librarian/media and library technician categories, Chardon LSD employs 1.21 FTEs per 1,000 ADM, which is lower than the peer and similar district averages of 1.79 FTEs and 2.11 FTEs per 1,000 ADM, respectively.

- **Special Education:** Chardon LSD employs 0.17 and 1.62 more special education FTEs per 1,000 ADM than the 20 similar district and peer averages, respectively. However, the District employs fewer special education teachers when compared to the minimum staffing requirements in OAC Section 3301-51-09, which indicate that the District should employ 26.6 special education FTEs. The lower staffing levels when compared to Ohio Administrative Code (OAC) Section 3301-51-09 could be due, in part, to only 10.4 percent of the special education students at Chardon LSD spending 100 percent of their time within the special education classroom setting.

- **Tutor/Small Group Instructors:** While the District has fewer tutor/small group instructor FTEs per 1,000 ADM than the peer average, it has over two times the number of FTEs per 1,000 ADM than the similar district average. However, this is likely due to coding differences for educational support staff. For instance, Chardon LSD reported no staff in the remedial specialist category and significantly fewer teaching aides when compared to the peer and similar district averages. When combining tutor/small group instructors, remedial specialists, and teaching aides, Chardon LSD employs 4.8 FTEs per 1,000 ADM, which is much lower than the similar district average (8.0) and peer average (10.5).

- **Registered Nurses:** Registered Nurse (RN) staffing is higher than the similar district and peer averages. RN staffing is a component of educational service personnel (ESP) as outlined in the Ohio Administrative Code (OAC) §3301-35-05(A)(4). Total ESP staffing levels per 1,000 ADM are comparable to the peer and similar district averages (see *Assessment Not Yielding Recommendation* for more information).

- **Speech and Language Therapists:** The District's speech and language therapist FTEs per 1,000 ADM are higher than the similar district average but similar to the peer average. According to operating standards from ODE, a speech and language therapist should be able to service 50 school age children. The District has 155 children needing speech and language related services. As the District employs three therapists, it is in line with the ODE staffing standards. Furthermore, two of the peers' use educational service centers to provide these services.

- **Clerical:** Chardon LSD employs 1.2 and 0.8 more clerical FTEs per 1,000 ADM when compared to the similar district and peer averages, respectively. Similar to site-based administrators, this is due to differences in the number of school buildings. When combining similar clerical classifications, Chardon LSD employs 4.1 clerical FTEs per school building, lower than the peer average of 4.4 clerical FTEs per building. Additionally, when combining administrative and clerical staffing to capture total district-wide support staffing levels, Chardon LSD employs 11.8 FTEs per 1,000 ADM. Although this is higher than Canfield LSD (8.8), it is lower than Anthony Wayne LSD (12.8) and similar to Highland LSD (12.0). This is also generally comparable to the similar district average of 11.4 FTEs per 1,000 ADM.

- **Maintenance Workers:** Chardon LSD has more maintenance worker FTEs per 1,000 ADM than the similar district average and peer average. See the **facilities** section for further discussion.

- **Bus Drivers:** The District employs more bus drivers per 1,000 ADM than the similar district average, but less than the peer average. See the **transportation** section for further discussion.

- **All other reported personnel:** After accounting for the classifications reported in **Table 3-1**, the District's remaining FTEs per 1,000 ADM is higher than both the peer and similar district averages. This is primarily due to Chardon LSD reporting 16.17 FTEs in the monitoring classification in EMIS. Monitoring employees oversee the playground and lunch rooms at the elementary schools. When grouping monitoring-type employees, Chardon LSD provides 32.6 hours per day of monitoring, which is similar to the peer average of 31.9 hours per day.

Collective Bargaining Agreements

Certificated personnel are governed by a negotiated agreement between the Chardon Board of Education and the Chardon Education Association. Classified employees are organized and governed under a labor agreement between the Board and the Chardon Association of Classified Employees, OEA/NEA. Since contractual and employment issues directly affect the operating budget, the District's collective bargaining agreements have been assessed and compared to the peer districts to illustrate any financial implications. **Tables 3-2** and **3-3** illustrate key contractual issues in the certificated and classified employees' negotiated agreements for Chardon LSD and the peer school districts.

Table 3-2: Certificated Contractual Agreement Comparisons

	Chardon LSD	Anthony-Wayne LSD	Canfield LSD	Highland LSD
Length of workday	Elementary: 7 hours, 15 minutes Middle and High: 7 hours, 30 minutes.	All: 7 hours, 25 minutes	All: 7 hours, 15 minutes[1]	All: 7 hours, 30 minutes
Teaching Time	5 hour maximum teaching time high school and middle school	Consideration will be given to avoid scheduling 7 classes in a row, per day	No class time minimum mentioned	No class time minimum mentioned
Maximum class size	Suggested pupil teach ratio: K-3 1:25 4-5 1:28[2] 6-12 1:30[2]	In accordance with ORC requirements of 25 to 1.	Class Size that creates optimal learning.	No class size limits mentioned. Teachers may recommend class size changes as needed.
Number of Contract Days: **Instructional Day:** **In-service Day/Work Day:** **Professional Development/Workshop:** **Other:**	**185 days** 181 days 2 days 1 day 1 day (Orientation)	**184 ½ days** 180 days 3 days 1 days 1/2 day (Conferences)	**184 days** 180 days 4 days	**184 days** 180 days 2 day 2 days
Sick Leave Incentive	0 days absent/yr = $500 1 day absent/yr = $400 2 days absent/yr = $300 3 days absent/yr = $200 Maximum cost to the board shall be $36,000 (If total sick leave paid out is greater than $36,000, individual amounts are prorated.	None mentioned in the contract	1 day of additional severance pay for each year where 1 or less days of sick leave was used	Option to accrue only 7 sick leave days and then elect one of the following options for sick leave credit earned and remaining at the end of the year: carry forward the unused sick leave, or cash in remainder at ½ the remaining hours at the employee's base

	Chardon LSD	**Anthony-Wayne LSD**	**Canfield LSD**	**Highland LSD**
Personal leave incentive	Unused personal leave is converted to sick leave	None mentioned in the contract	Personal leave days, if unused, shall accrue as sick leave	rate, or carry forward a portion of the balance and receive cash benefit equal to one-half of the remainder Unused personal leave credited to sick leave
Maximum number of sick days accrued	Unlimited	260 days	260 days	Unlimited
Maximum number of sick days paid at retirement (percentage payout)	33.3 percent (1/3) of accumulated but unused sick leave days up to a maximum of 70 days (1/3 of 210 days)	29 percent of the accumulated but unused sick leave of up to 260 days or a maximum of 75 days paid.	50 percent of accumulated but unused sick leave to a maximum of 60 days paid.	100 percent of accumulated but unused sick leave to a maximum of 75 days 2004-05 78 days 2005-06 81 days 2006-07
Retirement Incentives	Authorization to implement. Currently, there is not one in force.	None mentioned in contract	None mentioned in contract	$12,000 lump sum payment if stipulated requirements are met.
Number of personal days **Notice required**	3 days, one of which is unrestricted Not less than 72 hours	No limit specified As soon as possible	3 unrestricted days Not less than 24 hours	3 days Not less than 72 hours
Association Leave	Accumulative total of 10 days for Association business	None mentioned in contract	Unspecified leave with prior approval of superintendent	Accumulative total of 11 days for association business
Employee Retirement Contribution	Paid via the salary reduction method	Paid via the salary reduction method	Employee contribution picked	Paid via the salary reduction

	Chardon LSD	Anthony-Wayne LSD	Canfield LSD	Highland LSD
			up by the Board at no cost to the Board and in compliance with Federal and State laws, and IRS rules	method
Cost of living adjustments (COLA)				
2002 to 2003	4.00%	N/A	N/A	N/A
2003 to 2004	4.00%	N/A	0.00%	N/A
2004 to 2005	3.50%	3.40%	3.25%	N/A
2005 to 2006	0.00%	3.40%	N/A	3.50%

Source: Chardon and peer district certificated employee negotiated agreements.

[1] Teachers are required to be in their classrooms 15 minutes prior to the beginning of the school day and 15 minutes after the end of the school day.

[2] High School teachers with five classes shall not exceed a total ratio of 1:150 students. Middle School teachers who teach a sixth class shall not exceed a total ratio of 1:170.

Table 3-3: Classified Contractual Agreement Comparisons

	Chardon LSD	**Anthony-Wayne LSD**	**Canfield LSD[1]**	**Highland LSD**
Sick Leave Incentive	0 days = $400 1 day = $300 2 days = $200 3 days = $100[1] Maximum cost to the board shall be $20,000 (If total sick leave paid out is greater than $20,000, individual amounts are prorated.	None mentioned in contract	All classified employees contracted to work 20+ hours/week (or less than 20 hours/week) that complete a semester with perfect attendance will receive a bonus of $150 (or $125)	,Option to accrue only 7 sick leave days and then elect to either carry forward the unused sick leave or cash in remainder at ½ the remaining hours at the employee's base rate; or a combination of the two options
Personal leave incentive	Unused personal leave will be converted to sick leave	Unused personal leave will be converted at the substitute rate for that position	See perfect attendance above. Unused personal leave to be added to the accumulated sick leave balance at the end of the year.	Unused personal leave will be converted to sick leave
Maximum sick days accrued	Unlimited	235 days	260 days	Unlimited
Maximum sick days paid at retirement	25% of accumulated but unused sick leave days up to 30 days, except for those employees that elect to retire within 12 months of the earliest permissible retirement date shall be paid 1/3 of accumulated and unused sick leave up to 60 days In addition to the above, incentives for accumulated sick leave as follows 180 days = $1,000 200 days = $2,000 300 days = $5,000 400 days = $10,000	25% of accumulated but unused sick leave days up to 200 days (max is 50 days), 33% of accumulated sick leave between 201 and up to and including 234 days[2] for a total of 62 days. If an employee has 235 or more sick days and has taken 15 or fewer leave days in the best 4 of the last 6 years, he/she may receive a max payout of 80 days. Also, for each year of service in the district over 20 years, one additional day of severance pay provided.	50% of accumulated sick leave not to exceed 60 days	25% of accumulated but unused sick leave days up to 75 days for FY 2004-05, 78 days for FY 2005-06, and 81 days for FY 2006-07; Employee also receives compensation at current pay rate for unused vacation leave

	Chardon LSD	**Anthony-Wayne LSD**	**Canfield LSD**[1]	**Highland LSD**
Number of personal days	3 days, one of which is unrestricted	3 days, one of which is unrestricted	3 unrestricted days	3 days
Notice required	Not less than 72 hours	Not less than 72 hours	Not less than 24 hours	Not less than 72 hours
Call in Pay	Two hours- pay per call after work hours	Two hours- pay per call after work hours	Minimum Two hours- pay per call after work hours	Not Mentioned
NEOEA Day Pay	12 month employees who work on this day shall be paid one and one-half times the hourly rate	Not Mentioned	Not Mentioned	Not Mentioned
Building Check Guarantee	Employees shall be paid minimum of one and one-half hours for opening, inspecting, and securing the building when not scheduled for duty.	Employees shall be paid a minimum of 1 hour. Work on Sunday will be compensated at one and one-half hours.	Work on Sunday will be compensated at one and one-half hour at the highest hourly rate of the head custodian unless the employee has voluntarily flexed his/her schedule.	Building checks outside regular work day shall be paid actually the hours worked with a minimum of 2 hours. Building checks on holidays shall be paid at double-time with a minimum of two hours.
Employee Retirement Contribution	Nothing Stated	Paid via the salary reduction method	Nothing Stated	Payroll reduced as required by the Ohio State Employees Retirement System
COLA 2004 to 2005	3.17% to 3.23%	3.40%	3.21% to 3.29%	3.36% to 3.54%
Vacation Accrual	Only employees who work 11 or 12 months a year. 120-221 days = 5 days 221 days-5 yrs = 11 days 5 -8 yrs = 13 days 8 yrs = 16 days 9 -10yrs = 17 days 11-13 yrs = 18 days 14 yrs = 19 days 15-16 yrs = 20 days 17-24 yrs = 21 days 25 yrs = 23 days	Only employees who work 12 months a year. 0-10 years= 10 days 10-15 years= 15 days 15-20 years= 20 days >20 years= max 25 days.	Only employees who work 11 or 12 months a year. 6 mo-1 year = 5 days 1 year = 10 days 2 yrs = 11 days 3 yrs = 12 days 4 yrs = 13 days 6-10 yrs = 15 days 11 yrs = 16 days 12 yrs = 17 days 13 yrs = 18 days 14 yrs = 19 days 15+ yrs = 20 days	Only employees who work 11 or 12 months a year. 1-10 yrs = 10 days 10-17 yrs = 15 days 18+ yrs = 20 days

	Chardon LSD	**Anthony-Wayne LSD**	**Canfield LSD**[1]	**Highland LSD**
Holidays **12 month employee**	12 days	8 days	9 days	8 days
9 and 10 month employee	9 days	7 days	7 days	7 days

Source: Chardon LSD certificated employee agreement and peer district certificated employee agreements.
[1] Canfield LSD has three negotiated agreements with classified employees: Transportation personnel, Ohio Association of Public School Employees (O.A.P.S.E), and Chauffeurs, Teamsters, Warehousemen, and Helpers of America. For the purpose of this chart, the O.A.P.S.E contract, which covers most of the District's classified staff, was used.
[2] If an employee has accumulated 235 sick days and has taken 15 or fewer sick leave days in the best four of the last six years of employment, he/she may receive severance pay up to 80 days. In addition, for every year over 20 years of employment, the employee will receive one day severance pay.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas within the human resources section which did not warrant changes and did not yield recommendations. These areas include the following:

- **Staffing:** Based on comparisons to the similar district and peer averages (see pages 3-3 and 3-4) for the positions analyzed in this section of the performance audit, Chardon LSD staffing levels are reasonable.

- **Educational Service Personnel (ESP):** ESP positions include art, music and physical education teachers; counselors; registered nurses; social workers; and library/media specialists. The District employs a similar number of Educational Service Personnel (ESP) FTEs per 1,000 total students (7.6) and per 1,000 regular students (9.4) when compared to the similar district (7.5 and 9.0) and peer averages (7.7 and 9.3), respectively. However, it employs 11.7 more ESP FTEs than required by the minimum standards outlined in OAC Section 3301-35-05 (A)(4). Therefore, if the District encounters financial difficulties in the future, ESP staffing represents an area where the District could make staffing reductions.

- **Teaching Time:** Based on the length and composition of the work day as governed by the collective bargaining agreements (e.g., planning and instructional time) and affected by other district practices (e.g. team meeting time), middle and high school teaching staff in Chardon LSD spend an amount of time in a classroom comparable to teaching staff in the peer districts. More specifically, Chardon LSD's high school teachers have an average of approximately 349 minutes available each day for instruction, higher than the peer average of 334 minutes and similar to Anthony Wayne LSD (345) and Highland LSD (350). Additionally, the District's middle school teachers have approximately 312 minutes available each day for instruction, similar to the peer average of 317 minutes.

- **Professional Development Program:** Chardon LSD provides its employees with a comprehensive professional development program which includes orientation, shadowing and on-going training to its classified personnel, and mentoring and in-service training for its certificated personnel. However, please refer to the other sections in the performance audit for a more in-depth assessment of training related to classified personnel, including potential training improvements. The District also provides weekly meetings between all certificated staff, which serve as a forum to communicate teaching styles and share techniques. Additionally, Chardon LSD completes a comprehensive professional development plan for certificated employees, which links directly to its continuous improvement plan and includes a formal needs assessment. These plans, combined with the efforts of the Local Professional Development Committee (LPDC), the Superintendent, Assistant Superintendent and Executive Secretary, ensure that professional development activities comply with federal and state guidelines. The District's plans and practices are meeting those outlined by the Legislative Office of Education Oversight in Ohio.

- **Substitute Wages:** Chardon LSD's substitute wages for teaching staff are similar to other districts in Geauga County, based on information provided by the Geauga County Educational Service Center. In addition, the District's classified substitute rate for bus drivers is similar to three districts surveyed in Geauga County, while the substitute rates for other classified positions were lower than these three districts.

- **Board and Administration Relationship:** The District has policies that clearly delineate the responsibilities of the Board, Superintendent and Treasurer. The administration and the Board members are actively working together to achieve a positive relationship. Historically, the Board has set goals for the Superintendent and Treasurer within each individual contract, which are evaluated on a yearly basis.

- **Community Relations:** According to Board policy, staff members have a responsibility to promote good school-community relations. The school-community relations program is directed by the Superintendent and is based upon principles that enable community involvement. According to the Superintendent, staff members appear to be directing constituent inquiries directly to him.

- **Special Education Program:** In accordance with ORC Section 3323.51.06, the District has adopted an ODE model of formal policies and procedures addressing the education of disabled students, which includes identification, procedural safeguards, multifactored evaluations, individual education programs (IEPs), instruction in the least restrictive environment, confidentiality of data, due process, surrogate parents, and testing programs. The District stores IEPs in its Office of Exceptional Children and updates them on a rotating basis. To ensure timeliness, the District has access to a website that tracks IEP meetings and evaluations. Additionally, this website provides a 30-day notice to District administrators of upcoming deadlines.

Only 10.4 percent of the special education students at Chardon LSD spend 100 percent of their time in a special education classroom setting, while 45.8 percent of special education students spend 79 percent or more of their time in the regular classroom. This shows that the District is trying to provide the least restrictive environment for special education students where possible, thereby following its policy and OAC Section 3301-51-09 (A)(1). The District uses its progress reports, adequate yearly progress as reported in the District's report card, parental satisfaction, and IEP teams to gauge the progress of special education students. This is consistent with ORC Section 3323.03, which indicates that no single method, device, or evaluation criterion shall be the sole criterion for determining an appropriate educational program for a handicapped child. The District does attempt to reduce costs through partnerships and resource pooling. For instance, the District is a member of several consortiums to provide services to special needs students, including the Metzenbaum Center for children with developmental disabilities and the Auburn Career Center for emotionally disturbed students.

- **Vocational Education Program:** The District coordinates its vocational program offerings with the Auburn Career Center to maximize course offerings and student access, without duplicating services. Chardon LSD's high school offers classes pertaining to family and consumer sciences, such as career exploration and personal finance. Consumer and family sciences is not offered at the Auburn Career Center. Additionally, the District offers industrial technology classes, such as drafting and woodworking. The Auburn Career Center offers basic woodworking within its industrial transition training program; however, it is only one of 18 competencies in the program. By comparison, the District offers three woodworking semester courses: basic woods technology, woodworking technology, and advanced woodworking technology, in addition to five other courses in the industry technology program. A total of 23 different courses are offered by the Auburn Career Center for Chardon LSD's students. Chardon LSD is one of 11 districts affiliated with the Auburn Career Center.

- **Involvement of Parents:** In addition to parent/teacher conferences, the District offers several opportunities for parental involvement in their children's education. For instance, regarding at-risk students, efforts to involve parents include progress reports, team meetings with building assistants (i.e., faculty advisor, counselors, and administrators), the option for weekly updates, and involvement in the intervention team meetings. In addition, during the 2004-05 school year, the District developed the "Exceptional Student, Exceptional Parent Program." In the program, the parents of both gifted and special education children met four times a year to discuss relevant information and serve as a resource for other parents.

- **Accelerated/Gifted Program:** Chardon LSD adheres to key ORC/OAC requirements for educating gifted students, which include the following:

  o Ensuring that students identified as gifted meet certain criteria (OAC 3301:51-15);
  o Adopting a policy for the identification of gifted students (ORC 3324.04);

- o Notifying parents of screening procedures and providing them a method to appeal decisions (ORC 3324.04); and
- o Submitting an annual report to ODE specifying the number of students in each grade screened, the number assessed, and the number identified as gifted (ORC 3324.05).

In accordance with OAC 3301:51-15 (D) (3), the District also maintains written educational plans for each gifted student.

- **Vision and Life Insurance Costs:** The District does not provide vision insurance, but does provide $25,000 in life insurance coverage for staff, at a cost of $4.75 per month, per employee. This amounts to $0.19 per $1,000 of coverage per month, which is similar to the statewide average monthly cost per $1,000 of coverage, per employee ($0.1892) reported by SERB in its *2004 Report on Health Insurance Costs in Ohio's Public Sector*.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following issues:

- **Early Retirement Incentives (ERIs):** While there is language in the negotiated agreement stating that the District has the option to offer ERIs to certificated employees, they are not required to do so. However, the District should conduct a cost benefit analysis to determine the effect that an early retirement incentive would have on the District, as 38 employees have 25 years or more of service.

- **Special Education Staffing:** The District employs 19.6 special education FTEs. Based on the minimum staffing requirements for special education in OAC Section 3301-51-09, the District should employ 26.6 special education FTEs. The lower staffing levels could be due, in part, to only 10.4 percent of the special education students at Chardon LSD spending 100 percent of their time in a special education classroom setting, as well as the use of several consortiums to provide services to special needs students. Nevertheless, the District should consult with ODE to ensure its special education staffing levels comply with OAC requirements.

Noteworthy Accomplishments

During the course of this performance audit, AOS identified the following noteworthy accomplishments or best practices.

- **Regular Education Staffing:** Chardon LSD maintains an average of 25.8 students per regular education teacher, higher than the similar district and peer averages of 24.2 and 23.6, respectively. Likewise, when only including the regular student population, the District maintains 21.0 students per regular teacher, while the similar district and peer average ratios are 20.1 and 19.7, respectively. Despite the higher student-to-teacher ratios, the District achieved an excellent rating from ODE by meeting all 23 standards on the State proficiency tests in FY 2004-05. Additionally, the District's performance index score was 103.4 out of 120 in FY 204-05, slightly higher than the peer average of 103.2. However, if in the future Chardon LSD faces financial difficulty, it could reduce up to 20.0 FTE regular education teachers. This would result in a District-wide regular student to regular teacher ratio of 25:1, which is the maximum allowed by OAC 3301:35-05(A)(3).

- **Technology for Staff Communication:** The District effectively uses technology to communicate with employees. The use of updates and a variety of list serves has facilitated the sharing of information in a timely and effective manner, while e-mail helps to circumvent costly meetings when feasible, and increases the frequency and speed of communication to parents and teachers.

Recommendations

Staff Planning

R3.1 **Chardon LSD should establish a formal staffing plan to address current and future staffing needs. By developing a staffing plan, the District would ensure that it is meeting State requirements, and has adequate staffing to serve students and efficiently operate its various departments. Furthermore, the District would have a better means for forecasting personnel costs. In order to help the District develop a formal staffing plan, it should review the other sections of this performance audit because they contain variables (e.g., workload measures) that should be considered when analyzing staffing levels for the District's specific operations.**

The District does not have a formal staffing plan or method for allocating staff. Instead, the District relies on building administrative staff to analyze the needs within each of its certificated programs on a yearly basis and to determine desired staffing levels. Classified staffing is not analyzed yearly; rather, historical staffing positions are used as the basis for analyzing staffing needs.

Tulsa Public Schools has established a staffing plan that outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. The instructional and administrative staff allocations are based on student enrollment or student caseload for special education. Also, custodial and food service staffing allocations are based on workload measures. For example, the determination of custodial staffing levels is based on a calculation that includes the number of teachers, students and rooms, and the total area of the buildings. Food service allocations are determined by a minimum target meals-per-labor hour calculation established by the district. The staffing plan also outlines the procedures for developing the allocations in each area. This plan considers the state mandated staffing allocations and establishes staffing allocations to accomplish the district's strategic plan.

Staffing for certificated personnel is governed by the Ohio Administrative Code (OAC) 3301-35-05 for regular education students and OAC 3301-51-09 for special needs students, which establish maximum student to teacher ratios for each of these populations. By not having a formal staffing plan, the District increases the risk of not meeting these standards. For instance, the District employs fewer special education teachers when compared to the requirements in OAC 3301-51-09 (see *Issue for Further Study*). Additionally, by reviewing classified staffing levels based primarily on historical positions, the District is not considering other important factors, such as workload drivers, that impact current and future staffing levels. In general, the lack of a formal staffing plan could prevent the District from fully ensuring efficient and effective staffing

levels. For example, the District employs more custodians when compared to industry benchmarks (see the **facilities** section for more information).

Board Governance

R3.2 **The Superintendent and the Board should consider establishing a formal system for developing, reviewing and updating the District's policies. This formal system should include the formation of appropriate committees (e.g., policy review and policy development committees) and the use of appropriate criteria to judge the quality of its policies. This system should also involve staff, external and community stakeholders, and the District's legal counsel when appropriate. In addition, the District should broadly communicate the changes made to existing policies and the development of new policies through suitable mechanisms. Although the District should be able to enact a formal system for developing, reviewing and updating its policies through the use of committees, it should determine whether it is necessary to use a professional agency to aid in the process.**

The entire set of Board policies was last revised in 1998 by the Ohio Association of School Business Officials (OASBO), although changes have been made, as needed, since 1998. According to the AOS survey of Board members, formal annual updates of policies do not occur. The District also lacks a formal process for policy reviews, and seven percent of respondents to the AOS survey of Chardon LSD employees indicated that they are not informed of changes to District policies and procedures (see **appendix 3A**). Additionally, the District has not developed a policy review committee or a policy development committee to assist in the development and revision of policies.

According *Key Legal Issues: An Ultimate Guide for School Board Officials* (2006) published by Rowman and Littlefield Education, in partnership with the Association for School Business Officials International (ASBOI), well–developed, well-articulated policies are often indicators of attitude and commitment of school boards toward effective management practices. Clear policies will provide a board with a consistent plan for how it will operate, compelling it to stay focused on the critical challenge of providing vision and leadership for improving student achievement. When boards adopt systematic approaches to policy development, they can ensure consistency between and among goals, long-range planning, resource distribution, and assessment. In light of the far-reaching impact of board policy, this publication recommends school districts consider the following as a means of developing and maintaining current policies:

- School boards and superintendents should include sufficient funds in their annual budgets to retain the services of professional agencies to review and revise their current policy documents and to provide, at minimum, annual reviews and draft updates of policies on a quarterly basis.

- The general operating procedures of school boards should include annual reviews of all new and revised policies to determine whether modifications should be made on the basis of implementation experiences. The board and superintendent of schools might consider establishing a Policy Review Committee to identify issues and situations that should be considered for the annual policy review activities. In addition to board members, the committee should have at least one principal and one central administrator such as a school board official as permanent members. Such a committee should systematically review one third of the district's policy manual each year and make recommendations to the board for revisions. The committee should evaluate the effectiveness of new or revised polices based on pre-established criteria, such as by using the following questions:

  o Does the policy give clear direction to the superintendent and staff?
  o Is the policy required by law, regulation or judicial mandate?
  o Does the policy state clearly to whom it is directed and for whom it was developed?
  o Is the policy comprehensive enough to provide flexibility in the rules that will be developed to assist in its implementation?
  o Is the policy practical? Can the policy be administered without undue burden on the staff? Does the policy address the criteria that will be used to evaluate implementation?
  o Is there an operational or governance need for the policy?
  o Is the issue important enough to warrant a new policy? Is policy development the appropriate response?

- A Policy Development Committee should be formed to develop new policies and revise existing ones which may be necessary outside of the annual review process. Although committee members must pay special attention to the necessary aspects of legal compliance, they must maintain a sharpened focus on the vision, direction and purpose of school board policies for assuring public accountability for student achievement.

- The drafts of new and revised policy statements should be reviewed by the school board's attorney for final review and editing. Other interested parties in the school community can participate in the review process as appropriate.

- The board and superintendent should encourage consultation with interested groups and individuals in the policy making process. The board should engage in public discussion of new policies before they are placed on the agenda for formal adoption.

- Once school boards formally adopt policies, they should inform employees and stakeholders that they have done so. The superintendent and/or designee should be prepared to distribute the policy to all staff members and post it in conspicuous areas in the schools and administrative offices as well as on the district's website.

This publication further indicates that focusing school boards on the crucial responsibilities of policy-making, planning, monitoring, communicating and advocating should go a long way in keeping them from becoming immersed in the daily administration of their schools. Boards must establish and regularly review policies that define their structures, rules of procedure, communication and decision-making process, code of conduct, and other policies pertaining to district governance. They must establish and regularly review policies that set expectations for district educational and operational functions.

R3.3   Board members should review pertinent laws, and District policies and procedures to identify areas where they need additional training to effectively carry out their roles and responsibilities. In addition, Board members should discuss their questions and concerns regarding Board orientation and training with the Superintendent. This would enable the administration to identify additional internal improvements for Board orientation training, as well as external opportunities that would benefit the Board.

According to District policy, in keeping with the need for continuing in-service training and development for its members, the Board encourages the participation of all members at appropriate conferences, workshops and conventions. The District appropriates training funds on an annual basis in the Board service fund. Based on a review of invoices, several Board members attended various training classes in the past. Additionally, Chardon LSD has a policy indicating that the Board shall provide an orientation program for its members-elect. The primary purpose of this program is to acquaint the members-elect with the procedures of the Board and the scope of its responsibilities, and to assist them in becoming informed and active Board members.

Training opportunities have been made available to Board members and the Superintendent indicated that the new Board members were provided with orientation training in accordance with steps outlined in Board policy. However, an AOS survey of the Board indicated that Board members do not receive sufficient training for their roles. The Ohio School Board Association (OSBA) provides a variety of training opportunities for school board members to help acquaint them with relevant topics. Many of these trainings are available at no cost.

Salaries

R3.4 **The District should seek to address higher administrative compensation levels by reducing the number of employees receiving the retirement payment benefit and/or eliminating or reducing the retirement payment benefit for all administrators. Chardon LSD should also consider limiting cost of living adjustments (COLA) for administrators in future years, particularly if it encounters financial difficulties or continues to pay the full employee retirement contribution for administrators. In addition, it should examine the salaries offered to new administrators to ensure they are comparable with peer and neighboring districts.**

Administrative salaries are determined by individual contracts between the administrators and the Board. **Table 3-4** compares average salaries for the administrative classifications at Chardon LSD with both ODE's 20 similar district average and the average of the three peers.

Table 3-4: Administrative Salaries

Average Salaries	Chardon LSD	Similar District	Peer District
Administrators	**$82,621**	**$66,654**	**$70,052**
Site Based Administrators	$78,719	$72,775	$73,091
Central Administrators	$89,464	$65,838	$63,594

Source: EMIS Reports

As illustrated in **Table 3-4,** Chardon LSD's average salaries for administrative employees are 18 and 24 percent higher than the peer and similar district averages, respectively. In addition to the higher average salaries, Chardon LSD pays the full employee retirement contribution (10 percent) for its administrators.

Similar to certificated and classified staff, District administrators agreed to no cost of living adjustment for FY 2005-06. The District is assuming COLA adjustments of 3 percent for FY 2006-07 and FY 2007-08 for certificated and classified employees, which will also be provided to administrative employees. Nevertheless, even when assuming that each similar district and peer was paying the full retirement contribution for all of their administrators and including the corresponding effect in salaries, Chardon LSD's average salary for administrators, without including the effect of the retirement contribution, would still be higher than both the similar district and peer averages.

Financial Implication: By eliminating payment of the employee share of retirement benefits, the District would save approximately $147,000 annually.

R3.5 **In future collective bargaining, Chardon LSD should seek to negotiate new salary schedules for certificated and classified employees. The District should also consider negotiating limited COLAs, particularly if it encounters financial difficulties in the future.**

Certificated and classified salaries are stipulated in the respective collective bargaining agreements. **Table 3-5** compares the average salaries for the certificated and classified staff at Chardon LSD to the similar district and peer averages.

Table 3-5: Salary Comparison

	Chardon LSD	Similar District Average	Peer Average
Educational Staff	$53,294	$49,297	$48,815
Professional Staff	$51,256	$46,618	$36,383
Technical Staff	$61,918	$21,387	$22,730
Office / Clerical Staff	$25,709	$20,870	$20,954
Maintenance Workers	$40,520	$35,164	$38,070
Custodians/Groundkeepers	$32,425	$27,070	$24,113
Bus Drivers	$19,154	$16,038	$12,422
Food Service	$15,495	$13,495	$11,313
All Other Reported Personnel	$14,656	$13,295	$10,021

Source: EMIS Reports

As illustrated in **Table 3-5,** Chardon LSD's average salaries are higher in each category when compared to both the similar district and peer averages. The higher average salaries for Chardon LSD's teaching staff are partially due to the District's higher average years of service. More specifically, 67 percent of Chardon LSD's teachers have 10 or more years of service, which is higher than the similar district and peer averages of 58 and 56 percent, respectively. However, the District's higher teacher salary is also due to the salary schedule. **Table 3-6A** compares the teacher salary schedule to the peer average. The District's certificated salary schedules were the same in both FY 2004-05 an FY 2005-06.

Table 3-6A: Teacher Salary Schedule Comparison

Years	Bachelors			Masters		
	Chardon LSD 2004-05 & 2005-06	Peer Average 2004-05	Peer Average 2005-06	Chardon LSD 2004-05 & 2005-06	Peer Average 2004-05	Peer Average 2005-06
0	$33,509	$30,865	$31,535	$37,530	$34,005	$35,157
1	$34,849	$31,820	$32,898	$39,206	$35,512	$36,715
2	$36,190	$33,151	$34,273	$40,881	$37,034	$38,288
3	$37,530	$34,495	$35,663	$42,556	$38,569	$39,875
4	$38,870	$35,852	$37,066	$44,232	$40,120	$41,479
8	$44,232	$41,428	$42,830	$50,934	$46,595	$48,172
9	$45,572	$42,861	$44,311	$52,609	$48,334	$49,970
10	$46,913	$44,310	$45,810	$54,285	$50,100	$51,796
12	$49,563	$47,262	$48,861	$57,635	$53,624	$55,438
13	$50,934	$48,766	$50,416	$59,311	$55,478	$57,355
Last Step	$52,274	$57,127	$59,063	$64,337	$64,363	$66,544

Source: Chardon LSD and peer collective bargaining agreements
Note: Because the last available salary schedule for Canfield was for FY 2004-05, Canfield's salary schedule for FY 2005-06 was estimated based on the increase in salary schedules from FY 2003-04 to FY 2004-05.

Although the District's maximum teacher salary in the bachelors ($52,274) and masters schedules ($64,337) are lower than the respective peer averages for FY 2005-06 ($59,063 and $66,544), Chardon LSD maintains higher salaries in each year of service up through year 13 when compared to the peer averages for both years. This contributes to the higher average salaries for teaching staff. In addition, Chardon LSD offers eight different salary schedules as opposed to a maximum of six for the peers.

Table 3-6B compares the salary schedules in effect for FY 2005-06 for the staff comprising the majority of classified positions at Chardon LSD. Similar to certificated salary schedules, the salary schedules for classified staff did not change from FY 2004-05 to FY 2005-06. The District provides step increases for classified employees after each year for the first four years of employment as well as longevity step increases after 14, 19 and 25 years of service, in addition to Cost of Living Adjustments (COLAs).

Table 3-6B: Classified Salary Schedule Comparison

	Chardon LSD [1]	Anthony Wayne LSD [2]	Canfield LSD [3]	Highland LSD	Peer Average
BUS DRIVERS					
Beginning Salary	$16.19	$15.57	$16.56	$14.22	$15.45
Ending Salary	$19.20	$19.65	$21.26	$18.12	$19.68
# of Step Increases	7	27 [4]	15	12	18
Average Step Increase	2.7%	1.0%	1.9%	2.3%	1.7%
Year Reaching Chardon LSD Ending Salary, Without Longevity	N/A	18	7	27	17
CUSTODIANS					
Beginning Salary	$13.96	$14.14	$13.41	$13.33	$13.54
Ending Salary	$16.75	$18.15	$16.38	$17.24	$17.16
# of Step Increases	7	27 [4]	20	12	20
Average Increase per Step Increase	2.9%	1.1%	1.0%	2.4%	1.5%
Year Reaching Chardon LSD Ending Salary, Without Longevity	N/A	13	16	18	16
FOOD SERVICE – HEAD COOKS					
Beginning Salary	$12.66	N/A [5]	$13.40	$12.17	$12.79
Ending Salary	$15.30	N/A [5]	$16.75	$16.08	$16.41
# of Step Increases	7	N/A [5]	20	12	16
Average Increase per Step Increase	3.0%	N/A [5]	1.2%	2.7%	2.0%
Year Reaching Chardon LSD Ending Salary, Without Longevity	N/A	N/A [5]	3	16	10
FOOD SERVICE – COOKS/FOOD SERVICE WORKERS					
Beginning Salary	$11.74	$11.34	$11.60	$10.81	$11.25
Ending Salary	$14.22	$16.99	$14.87	$14.72	$15.53
# of Step Increases	7	27 [4]	20	12	20
Average Increase per Step Increase	3.0%	1.8%	1.4%	3.0%	2.1%
Year Reaching Chardon LSD Ending Salary, Without Longevity	N/A	6	6	18	10

Source: Chardon LSD and peer collective bargaining agreements

[1] Includes the impact of longevity pay: $0.20, $0.40 and $0.45 after 14, 19 and 25 years of service

[2] Includes the impact of longevity pay each year after 10 years of service based on the longevity pay for employees working 7 or more hours ($350) and based on 2,080 hours worked per year. For the above positions, Anthony Wayne LSD's regular salary schedule, without considering longevity pay, provides consecutive step increases from zero to 10 years.

[3] Because the last available salary schedule for Canfield was for FY 2004-05, Canfield's salary schedule for FY 2005-06 was estimated based on the increase in salary schedules from FY 2003-04 to FY 2004-05.

[4] Stopped at 27 based on the maximum number of steps in the peers' salary schedules (Highland LSD goes to 27 steps).

[5] Anthony Wayne LSD's collective bargaining agreement does not include a salary schedule for head cooks.

As shown in **Table 3-6B**, the starting salary for cooks/food service workers is higher than each peer, and the starting salaries for bus drivers and custodians are the second highest when compared to the peers. While the beginning salary for head cooks is lower than Canfield LSD, it is higher than Highland LSD. The cooks/food service workers category in **Table 3-6B** includes Chardon LSD's kitchen assistant and elementary cafeteria monitor/cashier job classifications. Only 3 of the 33 positions in the Food Service Department are elementary cafeteria monitor/cashiers, and the peers' collective bargaining agreements do not have a similar classification. The District's beginning salary for kitchen assistants is $12.26, further increasing the disparity when compared to the peers' beginning salaries.

The District's ending salary for each position is lower than the peer average, which is due to Chardon LSD having fewer step increases. However, the District's average increase per step for each position is significantly higher than the peers, which contributes to the District offering higher salaries at each corresponding year of service from 0 to 17 years. This, in turn, contributes to the higher average salaries in **Table 3-5**. More specifically, **Table 3-6B** shows that the peers, on average, do not reach Chardon LSD's ending salary not adjusted for longevity (salary at step 5) until 17, 16, 10 and 10 years of service for bus drivers, custodians, head cooks, and cooks/food service workers, respectively. Furthermore, the peers' cooks/food service workers do not reach Chardon LSD's kitchen assistant ending salary ($13.80) until an average of 14 years of service.

Although Chardon LSD's certificated and classified employees agreed to a zero percent cost of living adjustment for FY 2005-06 and the District maintained the same salary schedules from FY 2004-05 to FY 2005-06, there may be a need to implement additional measures to ensure a sound financial condition in the future. This includes reevaluating the assumption of 3 percent COLAs for all staff in FY 2006-07 and FY 2007-08 (see **financial systems**). In addition to ensuring a sound financial situation, limiting future COLAs would help the District lower salaries to levels that are more comparable to the similar district and peer averages.

Financial Implication: The savings associated with implementation of a revised pay schedule are not readily quantifiable due to the numerous options available for altering the schedule, and the potential that changes will only affect new employees. See the **financial systems** section for a discussion of COLA assumptions in the District's five year forecast.

Benefit Administration

R3.6 In future negotiations, Chardon LSD should seek to require all full-time employees to contribute at least 10 percent of the health insurance premiums, and eliminate the caps on employee contributions. Likewise, the District should seek to require all

full-time certificated, clerical and administrative staff to contribute 20 percent towards the dental insurance premiums, which is the current requirement for classified staff. The District should also implement premium cost controls through its insurance committee, such as adjusting plan benefits (see R3.7) and developing health care management/wellness programs. Additionally, the District should continue with its recent efforts in meeting with its insurance consultant to more frequently review and manage claims. The District should also identify opportunities to aggregate its purchasing power (e.g., insurance pools for prescription), and evaluate the cost-effectiveness of being self-insured by periodically obtaining competitive proposals for insurance from other health care administrators and providers, including consortiums.

The District is self-insured for health and dental insurance, and uses AETNA as its third party administrator to establish the premiums. The PPO covers most employees. An HMO offered by the District covers only six employees. In response to the employee survey conducted by AOS, 77 percent agreed that they were satisfied with procedures regarding health benefits, and only 6 percent were dissatisfied. The remaining respondents were either neutral or had no opinion.

Chardon LSD's administrators and central office clerical staff (total of 24 employees) do not contribute toward their health insurance premiums, with the exception of the Superintendent. Each full-time certificated employee is required to pay 10 percent of the insurance premium up to a capped amount of $20 per pay for single and $40 per pay for family coverage. This equates to caps of $43.33 and $86.67 in monthly contributions for certificated staff. Full-time classified employees are also required to pay 10 percent, up to a cap of $17 per month for single coverage and $40 per month for family coverage. Part-time certificated staff hired after August 1, 1993 are required to pay a prorated share of the health premiums. The Treasurer indicated that certificated employees working fewer than 7.25 hours per day are considered part-time. According to the classified collective bargaining agreement, classified employees who work at least four hours but less than five hours are required to pay 20 percent of the coverage, up to a maximum cap of $34 for single coverage and $80 for family coverage. Classified employees who work less than four hours contribute 50 percent of the premium.

Table 3-7 compares FY 2005-06 monthly health insurance premiums for full-time staff at Chardon LSD to the State Employment Relations Board (SERB) averages for school districts similar in student and staff size, and for the Cleveland region.

Table 3-7: Monthly Health Insurance Premiums and Employee Contributions

	Monthly Single Plan Premium	Monthly Family Plan Premium	Full-time Employee Share for Single Plan	Full-time Employee Share for Family Plan
Chardon LSD	$442.00	$980.00	$43.33 [1] (Certificated) $17.00 [1] (Classified)	$86.67 [1] (Certificated) $40.00 [1] (Classified)
SERB Average for School Districts 2,500-9,999 [2]	$360.39	$1,055.84	$22.04 [3]	$74.50 [3]
SERB Average for Cleveland Region [2]	$419.64	$1,105.70	$28.18 [3]	$79.41 [3]
SERB Average for 250-499 Covered Employees [2]	$365.15	$941.47	$22.46 [3]	$82.55 [3]

Source: Chardon LSD treasurers office and SERB
Note: This table does not show the premiums for the District's HMO plan that covers six employees.
[1] Chardon LSD does not require employee heath care contributions from administrators and central office clerical staff (total of 24 employees), with the exception of the Superintendent.
[2] Since the SERB report reflects 2004 data, SERB data has been increased based on the increases reported by SERB from 2003 to 2004 in the three reported categories.
[3] This includes plans that do not require any employee contributions.

As a result of the caps on employee contributions, **Table 3-7** shows that Chardon LSD employees do not contribute 10 percent of the premiums. Instead, certificated staff contribute 9.8 and 8.8 percent towards the single and family plan premium, respectively; and classified staff contribute 3.8 and 4.1 percent towards single and family premiums, respectively. By comparison, SERB averages for employee contributions in **Table 3-7** range from 6.1 to 8.8 percent. However, when only considering employers that require employees to contribute towards the health premium costs, SERB reports employee contributions ranging from 9.2 to 11.5 percent of the monthly premium costs for school districts with 2,500-9,999 students, governments in the Cleveland region, and governments covering 250 to 499 employees. SERB also reports that those employees contributing to the cost of medical coverage paid an average of 11.8 percent of the single premium and 12.3 percent of the family premium. In addition, a health insurance survey conducted by the Kaiser Family Foundation reports average contribution rates of 16 percent for single coverage and 26 percent for family coverage in 2005. A total of 2,013 organizations responded to the survey.

Table 3-7 also illustrates that while the District's family health insurance premium is lower than two of the three SERB averages, its single plan premium is higher than each SERB average. The District's plan benefits (see **R3.7**) and overall management of the health care program can impact its premium costs.

Currently, the District does not offer health management (i.e., workplace wellness) programs encouraging healthy lifestyles, although it distributes a newsletter to employees with relevant health information. An insurance committee, appointed by the President of the Chardon Education Association and the Superintendent of the Chardon LSD, annually examines the current health plan, dental insurance, and their costs to determine needed changes. The insurance committee discussed the possibility of implementing health management programs with the union last year, but this was not agreed upon during collective bargaining negotiations.

A study done by the Centers for Disease Control, published in the Journal of Occupational and Environmental Medicine, showed that U.S. employers who invest in health programs at the workplace can see a return of $3 to $6 for each dollar invested over a two to five year period. In most cases, the lost productivity costs associated with heart disease were higher than the medical costs, particularly among adults with multiple risk factors. Medical screenings, company-wide changes such as healthier food in the cafeteria, "frequent and simple" prevention messages delivered to employees and regular health education classes can all contribute to better employee health.

In addition to individual health management (e.g., wellness programs and employee education on health matters) and employee cost sharing, the Government Finance Officers Association (GFOA) recommends that governments consider the following strategies to contain health care costs:

- Plan design, which includes transitioning to managed care organizations, such as PPOs and HMOs, and adjusting co-payments and co-insurance levels (see **R3.7**);
- Vendor management, which includes auditing claims to ensure that carriers or third party administrators pay benefits according to plan rules, verification of enrolled participants, and periodic re-bidding of health care plan vendors; and
- Aggregation of purchasing power, such as by forming health care insurance pools and intergovernmental agreements for procurement of prescription drugs, and using fewer insurance carriers to deliver benefits.

According to the Treasurer, the insurance committee is now meeting monthly with the new insurance consultant to begin looking closely at claims and the plan design, including options such as increasing coinsurance levels and establishing out-of-pocket maximums. The District does not participate in pooled arrangements with other local governments for health care and has not solicited competitive bids for health insurance since 2002, although it uses the same third party administrator for its health and dental insurance. The Treasurer indicated that the District has been self-insured since 1996.

An AOS performance audit of the Elyria City School District (Elyria CSD), released on January 13, 2005, reported that the district's premiums were lower than peer districts and

SERB averages. At the time of the performance audit, Elyria CSD was a self-funded insurance provider, setting its own premium rates based on claims in the district. Elyria CSD attributed its low premiums to actively monitoring claims. Specifically, Elyria CSD's insurance committee was meeting quarterly to manage claims and review fund levels, and the district was reviewing claims monthly. Elyria CSD also was offering preventive care for staff and their families via flu shots, mammograms, blood pressure checks, etc., every year at the school buildings.

Chardon LSD pays the entire cost of dental coverage for full-time certificated staff and 80 percent of the cost for full-time classified staff. **Table 3-8** compares the District's dental premiums to the State average reported by SERB.

Table 3-8: Monthly Dental Premiums & Employee Contributions

	Monthly Single Plan Premium	Monthly Family Plan Premium	Full-Time Employee Share for Single Plan	Full-Time Employee Share for Family Plan
Chardon LSD	$81.00	$81.00	$0.00 (Certificated)[1] 20% (Classified)	$0.00 (Certificated)[1] 20% (Classified)
SERB average[2]	$35.33	$66.92	N/A	N/A

Source: Chardon LSD treasurer Office and SERB
[1] All administrators and central office clerical staff (25 employees) do not contribute to dental premiums.
[2] SERB data has been adjusted for increases in insurance costs since the 2004 report was issued, based on the increase from 2003 to 2004.

Table 3-8 shows that both the single and family premiums for dental coverage are much higher than the SERB averages, despite coverage levels that appear similar to peer districts (see **Table 3-10**). This could be due, in part, to the lack of competitive bids for dental insurance. According to the Treasurer, the District has not sought competitive bids for dental insurance for at least four or five years.

By not requiring employees to contribute a greater percentage towards their monthly healthcare premiums, Chardon LSD is paying more for health care than other governmental entities in Ohio. Because health and dental plan benefits are the same for all staff, requiring varying levels of employee contributions toward the premium costs creates inequity within the District. Additionally, the generous plan benefits (see **R3.7**), lack of workplace wellness programs, prior infrequent use of the insurance committee, and not aggregating its purchasing power to increase economies of scale inhibits the District from effectively containing, and potentially reducing, its health care costs. Moreover, by failing to periodically seek competitive bids for insurance, the District can not be certain that its self-insurance program is more cost-effective than having an external provider operate the program.

Financial Implication: By eliminating the caps on employee contributions and raising the contribution rates for all full-time employees to at least 10 percent for single and family coverage, the District would save approximately $84,000 annually. If all employees participating in the dental plan were required to contribute 20 percent of the dental premiums based on the classified employee contribution rate, the District would save approximately $35,000 annually. In total, the District would save approximately $119,000 per year by requiring 10 and 20 percent employee contributions towards health and dental insurance premiums, respectively.

R3.7 **During future negotiations, Chardon LSD should consider increasing employee annual deductibles and co-pays for office visits, prescriptions, and inpatient hospital care; and establishing an appropriate threshold for out-of-pocket maximums and maximum lifetime benefits. Chardon LSD should also consider increasing the work hour threshold for full benefits for classified staff and the corresponding pro-rated scale for part-time employee contributions. Furthermore, the District should consider negotiating to implement at least a three tier system for prescription drugs to encourage employees to choose less expensive generic brands when available.**

Table 3-9 compares Chardon LSD's health care plan benefits to the peer districts.

Table 3-9: Key Medical Plan Benefits

	Chardon LSD	Anthony-Wayne LSD[1]	Canfield LSD	Highland LSD
Hours Worked for Eligibility Certificated	Employees working 36.25 hours/week, full benefits. Part-time employees hired after August 1, 1993 are eligible but must pay a pro-rated rate of premium.	Employees working 20 hours/week are eligible for full benefits (15 hours a week for nurses). Other employees are eligible but must pay a pro-rated rate of premium.	Employees working 30 hours/week are eligible for full benefits.	Employees working 30.0 hours/week or more receive full benefits. [2]
Classified	Full time employees working 5 or more hours per day (25 for week) receive full benefits. Employees working four to five hours per day are eligible but the District only pays 80%; of the primium Employees working less than 4 hours per day are also eligible but the District will only pay 50% of the premium.	Full time employees working 37.50 to 40.0 hours/week are eligible and receive full benefits. 30.00 to 37.45 hours/week employees are eligible but the District pays only 62% of the premium; 22.50 to 29.95 hours/week employees are eligible but the District pays only 55% of the premium.	Employees working 20.00 hours/week are eligible for full benefits.	Full time employees working 30.00 hours/week are eligible for full benefits. Employees working 20 to 30 hours/week are eligible for full benefits but the District will only pay $80 toward the cost of the premium.
Office Visits Co-pay	$5.00 co-pay in	$10.00 co-pay	None mentioned	$0.00 in network.

	Chardon LSD	Anthony-Wayne LSD[1]	Canfield LSD	Highland LSD
	network 80% after deductible for non-network			30% co-pay for non-network
Prescription Plan	Yes	None mentioned	Yes	Yes
Co-pay	$5.00 for generic brand drugs (network) Same as non-preferred retail (non-network). $10.00 for name brand drugs (network). Same as non-preferred retail (non-network).		$4.00 for generic brand drugs $13.00 for name brand drugs	$5.00 for generic brand drugs. $10.00 for name brand drugs. Capped at $400/year.
Mail Order 90 day supply	90 day supply available for same co-pay amounts.		$10.00 for generic brand drugs $20.00 for name brand drugs	None mentioned
Employee Annual Deductible Single/ Family	$100.00/ $200.00 (network). $200.00/ $400.00 (non-network).	None mentioned	$250.00/ $500.00 (network). $500.00/ $1,000.00 (non-network).	$100.00/ $200.00 (network). $200.00/ $400.00 (non-network).
Employee Out of Pocket Maximum	None mentioned	Unlimited	$500.00/ $1,000.00 (network). $1,250.00/ $2,500.00 (non-network).	N/A (network). $800.00/ $1,600.00 (non-network).
Maternity	100% after deductible.	$0.00 co-payment	None mentioned	$0.00 (network). 30% copay (non-network).
Well Child Care	$5.00 (network). 80% after deductible (non-network).	$10.00	Usual and customary.	$0.00(network). 30% copay (non-network).
Inpatient Hospital Care	100% after $100.00 deductible in network. 20% copay after deductible and per confinement (out of network).	$0.00 co-payment	Subject to deductible and coinsurance of 90% of first $2,500.	$0.00(network). 30% copay (non-network).
Maximum Lifetime Benefit Amount	Unlimited	Unlimited	$2,000,000.00	$5,000,000

Source: Chardon local school district and peer district reports, collective bargaining agreements, and interviews

[1] Non-network costs were not mentioned in negotiated agreement.

[2] Highland LSD part-time certificated employees that work less than 30.00 hours/week five days a week are eligible for medical coverage at the employee's expense, except for employees hired before January 1, 1997 who shall continue to receive prorated economic benefits as in the past.

As indicated in **Table 3-9**, the levels of benefits offered at Chardon LSD are comparable to the peer districts, with the exception of eligibility for part-time classified employees, employee out-of-pocket maximum and maximum lifetime benefit amounts. However, the District's employee co-pays for office visits, prescriptions, and inpatient hospital care, as well as employee annual deductibles and out-of pocket maximums are lower when compared to data reported by the Kaiser Family Foundation in its 2005 survey on health insurance. The differences when compared to the peers and the Kaiser Family Foundation survey are noted below.

- **Eligibility:** The District provides full benefits for part-time classified employees working 25 hours per week, which is a lower work hour threshold than Anthony Wayne LSD (37.5) and Highland LSD (30). In addition, Chardon LSD's pro-rated part-time employee contributions are lower than these two peers. Furthermore, the District's threshold for full benefits for certificated staff is higher than for classified staff.

- **Office Visit Co-pay-** Chardon LSD has a $5 co-pay for in-network coverage and pays 80 percent of an out of network office visit after the deductible has been met. Although two of the peers do not have co-pays for in-network coverage, Anthony-Wayne LDS has a $10 co-pay for office visits. According to the Kaiser survey, among covered workers with co-pays, 61 percent pay $15 or $20 for in-network visits, 20 percent pay a co-pay of $5 or $10 per visit, and 17 percent pay $25 or $30 per visit.

- **Prescription Plan-** Chardon LSD's prescription plan requires individuals to pay a $5 co-pay for generic drugs and $10 for name brand drugs, similar to Highland LSD. While the co-pay for brand name drugs is lower than Canfield LSD, the co-pay for generic drugs is higher than Canfield LSD. However, Canfield LSD has a "Generic Mandate Program" in which an individual is required to pay the difference between a generic and name brand drug when purchasing a name brand drug, in addition to the co-pay, with three exceptions: adverse reaction to the generic drug, doctor's request for it to be "dispensed as written," or lack of a generic version. Furthermore, the Kaiser 2005 survey found that 89 percent of covered workers have some sort of a tiered cost sharing formula for prescription drugs. Cost sharing tiers generally are associated with the placement of a drug on a formulary or preferred drug list. The formulary or drug list generally classifies drugs as a generic, preferred brand name, or non-preferred brand name drug. Recently, a few plans have created a fourth tier of cost sharing, which is used in some cases for lifestyle drugs or expensive biologics (serums and vaccines). Seventy four percent of covered workers are enrolled in plans with three or four tiers of cost sharing for prescription drugs. The average drug co-payments reported for 2005 were $10 for generic, $22 for preferred, $35 for non-preferred, and $74 for fourth-tier drugs.

- **Employee Annual Deductible-** Chardon LSD's annual deductibles are similar to Highland LSD, but lower than Canfield LSD. Furthermore, the Kaiser 2005 survey found that the average annual deductible (including those with a zero deductible) is $323 for single coverage for in-network services and $679 for family coverage for in-network services. If covered workers without deductibles were excluded from the average, the PPO deductibles for in network services would average $455 for single coverage and $952 for family coverage

- **Maximum Out of Pocket-** Chardon does not have an out of pocket maximum, in contrast to two of the three peers. According to the Kaiser 2005 survey, 91 and 90 percent of all firms reported an out of pocket maximum exceeding $999 for single and $1,999 for family plans, respectively.

- **Inpatient Hospital Care-** Although Kaiser reported that 55 percent of PPO plans do not require employee cost sharing for hospital admissions, the average co-pay was $228 for PPO plans and $241 for all plans, for workers who have a hospital co-pay. Chardon LSD requires only a $100 employee deductible for hospital care. Additionally, the Kaiser survey reported that the average hospital co-insurance was 16 percent, for those workers required to pay co-insurance.

- **Maximum Lifetime Limit-** Two of the three peers have a maximum lifetime amount for health care coverage participants, in contrast to Chardon LSD which has no maximum.

Table 3-10 compares Chardon LSD's dental benefits to the peer districts.

Table 3-10: Dental Plan Coverage Levels

Benefit Description	Chardon LSD	Anthony-Wayne LSD	Canfield LSD	Highland LSD
Maximum Benefit each calendar year for class 1,2,3	$1,500	$1,500	$1,000	$2,500
Lifetime Maximum for Orthodontic Services	$850	$2,000	1,800	$1,000
Annual Deductible	$25 S $50 F	$25 S $50 F	$25 S $75 F	$25 S $50 F
Percentage of Coverage for Select Dental Procedures: Class 1- Preventative Procedures Class 2- Basic Restoration Class 3- Major Restoration Class 4- Orthodontia	100% 80% 50% 50%	100% 85% 50% 60%	100% 80% 50% 75%	100% 85% 50% 60%

Source: Chardon LSD plan benefit and peer collective bargaining agreements.

Although the District's dental plan benefits are similar to the peers, reviewing and altering its health plan benefits would help the District control and possibly reduce costs, while still providing health benefits that are similar to the peers and other entities on a national level. For instance, while the District's health insurance family premium is lower than two of the three SERB averages, its single plan premium is higher than each SERB average (see **Table 3-7, R3.6**).

Financial Implication: Assuming the District reduced its single premium to at least the SERB reported average premium of $419.64 for the Cleveland region by altering plan benefits, it would save approximately $11,800 in annual premium costs. This estimate accounts for the corresponding reduction in savings attributable to requiring all staff to contribute at least 10 percent toward this lower monthly premium (see **R3.6**).

R3.8 **The District should continue to use BWC resources to improve work place safety and reduce claims and costs, with the ultimate goal of joining the Group Rating plan to achieve maximum savings. Such resources include grant funding, training and support. In addition, Chardon LSD should closely monitor workers' compensation claims and premiums to ensure it is continuing to improve the program and reduce costs.**

Chardon LSD is actively involved in worker's compensation cost management in an effort to address its past worker's compensation problems. There is a history of costly workers compensation claims filed against the District that resulted in a high-risk rating and experience modifier of 1.14 (penalty rated) from the Bureau of Worker's Compensation (BWC). The experience modifier is based upon factors such as the total number of claims in any previous period, the anticipated losses incurred by the employee as a result of those claims and the extent that lost time claims went into effect. An experience modifier greater than 1.00 indicates that the District had greater losses than anticipated.

Gates McDonald Health Plus, a national health benefits company, publishes annual reports outlining the District's BWC activity. Most of the injuries were contusions, sprains and tears. According to the District, there is a strong culture of filing claims to substantiate any medical or compensation claims filed at a later date.

Table 3-11 shows Chardon LSD's claim history.

Table 3-11: Claims History, 2002-2005

Year	Number of Claims Filed[1]	Number of Claims Paid by Provider	Amount Paid by Provider[2]	Average Cost per Paid Claim	BWC Experience Modifier
2005	37	10	$7,895	$464	1.27[3]
2004	41	17	$55,973	$3,293	1.14[3]
2003	15	15	$141,239	$9,416	0.74
2002	13	13	$10,764	$828	1.18

Source: Chardon LSD treasurer's office
[1]Inlcludes medical and lost time claims
[2]Inlcludes total medical and compensation claims.
[3]Inlcludes a 10 percent discount from BWC.

The number of claims filed and paid between 2002 and 2004 increased by 215 and 31 percent, respectively. All claims in 2002 and 2003 resulted in a payment, while 24 claims in 2004 did not. In 2005, the number of claims filed and paid decreased by 10 and 41 percent, respectively. The amount paid by the provider and the average cost per paid claim fluctuated considerably from 2002 to 2005, and the District's experience modifier exceeded 1.0 in 2002, 2004 and 2005. However, the amount paid by the provider and the average cost per claim decreased significantly in 2005, due partially to actions taken by the District to improve it workers compensation program.

The District has chosen to participate in the Ohio BWC 10-Step Business Plan, which has a goal of helping organizations actively manage workplace safety and health to reduce the number of worker's compensation claims filed. The 10-Step Business Plan presents information concerning various policies and procedures that can be implemented for a more effective and safe work environment. The District completed the first six steps in 2004 and will submit a Plan of Action Implementation Report to the BWC to complete the second year of the 10-step program. District efforts also include CPR training, training for food staff, retrofitting busses with lumbar seats and pneumatic doors, aggressive salting and/or repairing of sidewalks, using more walking mats on school grounds, and making BWC newsletters available to all building principals.

The District is also participating in the Premium Discount Plus (PDP+) Program. PDP+ requires the Manager of Operations to attend a seminar pertaining to office safety, provide periodic progress reports, improve claims handling, and continue safety talks with employees. The Manager of Operations met with a BWC employer services specialist to discuss the District's progress. In addition, the Manager of Operations attended a September 2004 seminar entitled "Controlling Workers Compensation Costs."

Safety and health are included in the District's strategic plan and its policy manual. The District has developed formal safety plans for each building. These plans identify potential hazards to staff and students, and propose responses to threats directed towards

students, staff or district property. ORC §3313.536 states that boards of education must adopt a comprehensive school safety plan for each school building under the its control.

The BWC offers several programs to employers to improve their workers compensation rating and decrease premiums. These programs include the following:

- Group rating- allows similar employers to group together to potentially achieve lower premium rates than if they were individual employers; and

- Retrospective rating- an employer assumes a portion of the risk in return for a possible reduction in premiums.

The BWC and the Bureau of Occupational Safety and Health also offer grants and programs to improve the work environment and help prevent some future accidents. The grants and programs include the following, which the District does not currently receive or participate in:

- Transitional Work: to develop a program to gradually return injured workers to their jobs sooner;
- Safety Grant: to develop and implement drug-free workplace programs and work to prevent cumulative trauma disorders; and
- Public Employment Risk Reduction Program: provides "no fee, no risk" on-site safety inspection, safety training, and hazard recognition at the employer's request.

Collective Bargaining Agreements

R3.9   In future certificated collective bargaining negotiations, Chardon LSD should seek to eliminate class size restrictions and mandatory increases in teacher aide positions when exceeding the restrictions, as well as restrictions on student contact time. This will allow the District to determine the most effective method of determining staffing levels that also considers the District's current and projected financial condition (see financial systems).

The certificated collective bargaining agreement indicates that at the elementary level, additional support staff (i.e., teacher aides) will be hired should a class size exceed 30:1 for more than 30 days. This article cost the District $7,500 in FY 2005, $24,600 in FY 2004 and $25,500 in FY 2003. Anthony-Wayne LSD also has class size goals, rather than requirements, in the negotiated agreement. The agreement also does not specifically require the hiring of additional staff if the District exceeds the class size goals. Canfield LSD and Highland LSD's certificated collective bargaining agreements do not have set requirements for class sizes.

Although the District's certificated agreement indicates that the ensuing provision shall not limit individual initiative and agreement between a given teacher and administrator, it contains a provision that states the following: "No teacher in the high school or middle school shall have more than five hours of classroom contact per day with students." Aside from Anthony Wayne LSD's agreement which attempts to avoid scheduling seven classes in a row per day, the peer districts' agreements lack provisions limiting teachers' instructional time with students. However, it should be noted that Chardon LSD maintains a higher student-to-teacher ratio when compared to the peer average, while meeting all 23 standards on the State proficiency tests in FY 2004-05 and achieving a higher performance index than the peer average (see *Noteworthy Accomplishments*).

Financial Implication: Based on the three year average of expenses from FY 2003 to FY 2005, the District would save approximately $19,200 annually by eliminating the provision requiring additional support staff when exceeding class size restrictions.

R3.10 Chardon LSD should consider negotiating to reduce or eliminate the annual sick leave incentives. The District should also seek to lower the incentive payments provided for classified staff at retirement.

Chardon LSD's certificated collective bargaining agreement provides set monetary cash payments at the end of each year for using three or fewer sick leave days. More specifically, the District provides $500 for not using any sick days, $400 for using one sick day, $300 for using two sick days, and $200 for using three sick days. Canfield LSD's certificated agreement provides an additional day of severance pay for each year during which one or fewer sick days are used. Per its certificated agreement, Highland LSD allows certificated and classified employees the option to accrue only 7 sick leave days and then elect to either carry forward the unused sick leave or cash in the remainder at half the remaining hours times the employee's base rate; or a combination of the two options. Anthony-Wayne LSD offers no incentive to employees.

Chardon LSD's classified collective bargaining agreement provides a scale of sick leave incentive payments similar to the certificated agreement, except that they are lower by $100 at each corresponding number of days. Canfield LSD's classified agreement has an incentive that most resembles Chardon LSD; however, the incentive amounts to only $250-$300 per year and is only provided for perfect attendance. Anthony-Wayne LSD does not provide a sick leave incentive.

Despite the relatively generous incentives, the District uses high amounts of sick leave (see **R3.13**). Therefore, the District is incurring costs in addition to substitute costs and lost productivity associated with high sick leave use. In FY 2003-04 and FY 2004-05, the District averaged approximately $45,500 in sick leave incentive payments.

The District's classified collective bargaining agreement also provides the following incentive payments at retirement for accumulated sick leave: 180 days = $1,000; 200 days = $2,000; 300 days = $5,000; and 400 days = $10,000. The peers do not have similar incentives, although Anthony Wayne LSD provides additional pay for every year of service with the district in excess of 20 years. When excluding Chardon LSD's incentive payments, the District's maximum sick leave paid out at retirement for classified (60 days) is lower than two of the peers (see **Table 3-3**). However, based on the most senior staff's hourly rate, its incentive payments equate to an additional payout of 7, 13, 33, and 65 days at retirement at the corresponding incentive amount. At the $10,000 incentive payment level, the District's maximum sick leave payout would increase to 125 days, significantly higher than the maximum severance payout provided by the peers. More specifically, Canfield LSD's maximum payout is 60 days; Anthony Wayne LSD's is 90 days, assuming an employee retiring with 30 years of service in the district; and Highland LSD's is 101 days, assuming an employee being paid for 20 vacation days (the maximum number of vacation days that could be accrued per year).

Financial Implication: If the District only provided sick leave incentives for perfect attendance, it would save approximately $18,000 annually. This is based on the average sick leave incentive payments from FY 2003-04 and FY 2004-05.

R3.11 In future classified collective bargaining negotiations, Chardon LSD should seek to reduce the number of paid holidays, and to eliminate overtime pay for the North East Ohio Education Association (NEOEA) day and for building checks (see the facilities section for NEOEA day and building checks).

Table 3-3 shows that Chardon LSD provides more holidays for employees than the peers. Nine and ten month employees have two more paid holidays and 12 month employees have three to four more paid holidays, when compared to the peers. ORC §3319.08.7 states that all regular non-teaching school employees employed on an 9 or 10 month basis are entitled to a minimum of seven holidays while all regular non-teaching school employees employed on an 11 or 12 month basis are entitled to a minimum of 8 holidays. In addition, a board of education may declare any other day, except days approved for teachers' attendance at an educational meeting, as a holiday.

Table 3-3 also shows that classified employees at Chardon LSD are paid time and a half for working on NEOEA Day, while peer districts do not address the day in the negotiated agreements. In 2004, classified employees were paid a total of $2,585 in overtime on the NEOEA Day. Additionally, Chardon LSD and the peers provide additional pay to staff for performing building checks on days that buildings are not normally used (e.g., weekends and holidays). However, Canfield LSD has the option to flex schedules, with custodial agreement, for building checks. Furthermore, Chardon LSD's security system and computerized energy management control system minimize the need to complete

frequent building checks on weekends and holidays. See the **facilities** section for further discussion.

Financial Implication: Based on the amount the District paid classified employees in overtime for NEOEA Day in 2004, it would save approximately $2,600 annually by eliminating the overtime clause. This is assumed to be captured in the financial implication regarding overtime in the **facilities** section.

R3.12 The Board and District administrators should seek periodic guidance and training on labor negotiations and labor relations. Doing so would ensure that Chardon LSD's bargaining team has the skills and abilities to effectively negotiate on the District's behalf. This would be particularly important if the Board's attorney is not present during negotiations. Potential sources for training and guidance include the Ohio School Board Association (OSBA) and SERB.

According to Board policy, prior to commencement of any negotiations, the Board decides whether to appoint a professional negotiator or representatives from within the District to serve as the negotiating team(s). The fee or salary for a professional negotiator is established by the Board at the time of appointment. In the past, the superintendent, assistant superintendent, director of operations, and the Board attorney have represented the Board during negotiations. While the assistant superintendent and the Board attorney received formal training in negotiations, the other members have not received such training. The treasurer works with the negotiating team to determine potential costs and savings associated with bargaining unit issues, and the District analyzes its current financial situation and each expenditure category before and during negotiations. The Superintendent would prefer to use the lawyer as a resource rather than having him present during negotiations.

According to *Collective Bargaining and Labor Relations* (1998), the effectiveness of a bargaining team is determined by its ability, knowledge and experience. A team well-versed in tactics, strategy, and timing will be in a better position to avoid impasses and strikes, and will end up with a better agreement than a team composed of inexperienced people.

Several organizations provide training in negotiations. SERB will provide organizations with training in the rules and techniques of collective bargaining. In addition to providing mediation services, SERB's Bureau of Mediation offers training for establishing effective labor management committees and in interest-based or modified traditional bargaining. OSBA also offers different types of training for school boards, including collective bargaining, and released *Collective Bargaining Outlook for 2006* which looks at current trends in the bargaining process.

By not providing training to all members of the bargaining team, Chardon LSD increases the risk of agreeing to provisions that are costly or hamper its ability to effectively manage the District.

Financial Implication: OSBA offers collective bargaining training that can be tailored to the Board's needs. Options range from one hour free seminars, to full-day workshops that cost $125 to $500 per day, depending on the topic. Chardon LSD administrators are given $1,500 for professional development, which could be used for for formalized training in collective bargaining.

Leave Use

R3.13 Chardon LSD should consider establishing policies to include prohibitions against pattern abuse of sick leave. These prohibitions should indicate that if an employee engages in pattern abuse, he or she may be subject to discipline. To identify potential pattern abuse and better ensure appropriate use of sick leave, the District should closely monitor sick leave usage on a periodic basis, such as by tracking reasons for sick leave use, monitoring sick leave trends, and reviewing the trends for potential pattern abuses. In future negotiations, Chardon LSD should consider reducing the threshold in the classified collective bargaining agreement requiring a physician's verification, and develop a similar policy requiring a physician's statement for remaining staff. The District should also ensure that all employees are covered under similar sick leave policies, including non-bargaining unit staff. Furthermore, if the District chooses to continue to offer a sick leave incentive, it should actively promote it in an effort to minimize sick leave use and track the impact of the incentive on reducing sick leave usage. Taking these measures should help reduce sick leave use in the future.

Chardon LSD's certificated and classified collective bargaining agreements contain similar provisions regarding sick leave that describe the circumstances for sick leave use, the process for requesting sick leave, and sick leave incentives. While the sick leave forms indicate that falsification of the forms may result in suspension or termination, the District lacks a comprehensive sick leave policy that includes guidelines for pattern abuses, which would help identify employees suspected of abusing sick leave. Although not stipulated in the certificated collective bargaining agreement, the classified agreement requires that employees provide verification from a physician if sick leave exceeds 10 consecutive days. As the District relies on the collective bargaining agreements for sick leave policies, it does not have formal sick leave policies governing non-bargaining unit staff, including administrators.

According to the Department of Administrative Services (DAS) sick use cost history report for FY 2005 that covers exempt employees and seven different bargaining units, state employees took an average of 6.7 sick leave days. In contrast, Chardon LSD averaged 8.2 and 7.0 sick leave days per certificated and classified employee, respectively, in FY 2005. **Table 3-14** compares Chardon LSD's sick leave use per employee with DAS sick leave averages for the bargaining units similar to the District's classified and certificated staff.

Table 3-14: Chardon LSD Sick Leave Usage Per Employee (FY 2005)

	Chardon LSD	DAS	Variance Percentage
Classified Staff	8.16	7.22 [1]	13%
Certificated Staff	6.99	6.41 [2]	9%

Source: District leave usage reports, Department of Administrative Services
[1] Average for the Ohio Civil Service Employees Association (OCSEA), Local 11 American Federation of State, County and Municipal Employees, representing numerous classifications including account clerks, administrative assistants, computer operators, electricians, equipment operators, food service workers, and maintenance repair workers.
[2] Average for the State Council of Professional Educators, Ohio Education Association (SCOPE), which represents teachers and librarians.

As shown in **Table 3-14**, the District's average sick leave days per classified and certificated employee was 13 and 9 percent higher than the respective DAS averages. The District's sick leave policies, collective bargaining agreements, and monitoring activities can impact the level of sick leave usage.

Contrary to Chardon LSD's agreements, both of the State Council of Professional Educators (SCOPE) and the Ohio Civil Service Employees Association (OCSEA) collective bargaining agreements (2003-2006) with the State of Ohio contain a provision regarding pattern abuse, defined as consistent periods of sick leave use. Both agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

Additionally, the SCOPE agreement indicates that for absences exceeding seven consecutive calendar days, a physician's statement is routinely required that specifies the employee's inability to work and probable recovery date.

The District does not formally monitor and track sick leave on a consistent basis. In the article "Sick Leave Abuse: A Chronic Workplace Ill?", which has appeared in American Society for Public Administration and Internal Personnel Management Association journals, determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively.

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.
- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems.
- Learn to say "No." Employers should not let employees get away with abusing leave policies.
- Use procedures, regulations, practices and knowledge to benefit management as well as the employee.
- Document everything to learn from past mistakes.

By developing guidelines for pattern abuse, reducing the threshold requiring physician statements in the classified agreement, instituting a similar policy for all staff, and frequently monitoring sick leave use, the District would better ensure that sick leave is not being abused or misused. This, in turn, could help the District reduce sick leave use and the corresponding costs related to substitutes and overtime, as well as improve overall productivity.

Financial Implication: Assuming that the District reduces sick leave per staff by five percent as a result of implementing this recommendation, the corresponding decrease in substitute costs would be approximately $21,700 per year. This is based on FY 2004-05 substitute costs. As the District's sick leave used per classified and certificated employee was 13 and 9 percent higher than the respective DAS averages, this provides a conservative estimate of potential savings and attempts to account for the impact of other types of leave (vacation, personal, etc.) on substitute costs.

Human Resource Functions

R3.14 Chardon LSD should develop a formal process and schedule to review all position descriptions and update them as needed, to ensure that qualifications and responsibilities are accurate and current. A review of current job duties to job descriptions can occur as part of annual performance evaluations or when a position becomes vacant.

A majority of the District's job descriptions were updated on May 13, 1996. Many job descriptions were updated in 1995 and 1997 to comply with the Americans with Disabilities Act. The Superintendent, Manager of Operations, building principals and the position's immediate supervisor all contributed to the updating of the descriptions. They were presented en masse to the Board at that time. Changes have been made to some of the job descriptions since 1997, which were then presented to the Board as they occurred. However, job descriptions for custodial and maintenance personnel have not been updated since 1996, which is partially due to the lack of a formal process and schedule for reviewing job descriptions. Outdated job descriptions may not reflect current duties. For instance, seven percent of respondents to the AOS survey indicated that their current job descriptions do not accurately reflect daily routines (see **appendix 3A**). Outdated job descriptions also hinder the District from effectively communicating job expectations and responsibilities, and evaluating staff performance.

R3.15 Chardon LSD should develop a comprehensive human resources employee handbook for distribution to employees that contains all relevant personnel policies and procedures from its policy manual, and references applicable personnel provisions in the collective bargaining agreements. The District should also develop additional personnel policies and procedures and incorporate them in its policy manual and employee handbook, including the issues of sick leave abuse (see R3.13), job description reviews and updates (see R3.14), and employee file maintenance and storage (see R3.18). Consolidating all personnel policies and procedures in one employee handbook would better ensure that employees can easily access and review that information. Furthermore, the employee handbook should come with a form for employees to sign acknowledging the receipt and understanding of the District's personnel policies and procedures.

A copy of the current policy manual is available on the website and in each building. Section G of the policy manual covers personnel policies and procedures. However, the manual does not present a comprehensive view of the District's human resource policies and procedures because the collective bargaining agreements contain some personnel policies and procedures, and the District lacks formal policies and procedures for some personnel-related matters (e.g., sick leave (see **R3.13**), job description reviews and updates (see **R3.14**), and employee certifications (see **R3.18**)). The unions are

responsible for distributing contracts to employees, but there are no acknowledgement forms for employees to sign verifying receipt and understanding of the negotiated agreements. Likewise, the District's policy manual lacks an employee acknowledgement form to verify receipt and understanding of personnel policies and procedures, although it contains other forms that require an applicable signature(s). Having multiple sources for personnel policies and procedures that do not require employee acknowledgement of receipt and understanding increases the likelihood of employees not accessing and being aware of the matters they address.

R3.16 Chardon LSD should either update its policy to reflect the current practice of selecting teaching and administrative applicants for interviews, or follow its established policy. The District should also establish a formal hiring process for classified positions that coincides with its formal process for hiring teaching and administrative positions.

When a teaching vacancy exists, the District Administrative Assistant posts the position on the ODE website and other sites. The District also conducts on-going efforts to build and maintain a pool of candidates, such as attending four to five college fairs each year and accepting resumes from prospective teachers on an on-going basis. A teaching candidate goes through four phases before being hired:

- The building principal selects candidates from the pool of resumes and call references.
- The department chair reviews, selects, and interviews candidates. There have been instances when a candidate was asked to teach a class.
- The principal and the department chair meet and make a recommendation to the superintendent.
- The superintendent decides whether or not to hire the candidate and recommends the personnel action to the Board for final approval.

The District also provides opportunities for current employees to move within the District. The superintendent will notify certificated employees, via the union president, of any vacancies that occur during the year. Vacancies for classified positions are posted in all buildings for five days.

A document entitled "Personnel Process" outlines the application process, the screening process for teaching and administrative positions, the interview process, and the employment process at Chardon LSD. This document indicates that an initial screening committee, consisting of the building principal and staff members, chooses applicants and then applicants are notified for an initial interview. However, according to a District administrator, the building principal chooses initial applicants, and then the department head selects applicants to be interviewed. In addition, this document, the District's policy manual and the collective bargaining agreement do not outline the specific hiring process

for classified staff. However, the classified collective bargaining agreement details the process for District staff to bid on job postings.

R3.17 Chardon LSD should begin to track employee turnover, conduct employee exit interviews, and survey employees to gauge satisfaction levels. Taking such measures would enable the District to effectively address concerns and problems with job satisfaction, and accordingly help minimize turnover. Furthermore, the District should review the survey administered by AOS (see appendix 3A) and begin to address problem areas. Chardon LSD could use the AOS survey to help in developing a more customized and detailed future survey of its human resource operations. As the District administers subsequent surveys, it should track progress in addressing the issues identified in them.

According to a Chardon LSD administrator, the District experiences a low level of employee turnover and high employee satisfaction. However, the District does not track employee turnover, gauge employee satisfaction through climate surveys or perform exit interviews.

"Tips and Techniques for Effective Exit Interviews" by Pamela Holloway, published by Workforce Management, contains the following effective strategies for developing and performing effective exit interviews:

- Select carefully and train the people that are going to be doing the interviews;
- Conduct the interview in person or over the phone if necessary, rather than asking individuals to complete and mail a questionnaire;
- Delay the interview two to three months for involuntary separations and/or "emotionally charged" departing employees;
- Make the exit interview about the employee by discussing their job and accomplishments;
- Use the exit interview to build a relationship; and
- Use the information collected in the exit interviews.

According to "Developing and Delivering Climate Surveys and Employee Satisfaction Surveys via Corporate Intranet" by Brendon Connelly, published by the Society for Human Resource Management, climate and employee satisfaction surveys can be great tools for understanding current and historical conditions, which can help with change efforts. Climate surveys are intended to gauge the general work environment while employee satisfaction surveys are more in-depth as employees are questioned on specific topics.

AOS administered an employee survey to obtain feedback and perceptions concerning human resource services. One hundred and fifty-five (155) employees completed the survey. **Appendix 3A** at the end of this section presents the human resources portion of the survey. The following highlights key points from the survey:

- **Overall Satisfaction with Human Resources**: 50 percent of respondents agree or strongly agree with the overall effectiveness of the District's human resources management policies and procedures, with 11 percent disagreeing and 24 and 15 percent having no or neutral opinions, respectively. Likewise, 50 percent are satisfied with how human resource activities are managed in the District, with 12 percent disagreeing and 17 and 21 percent having no or neutral opinions, respectively.

- **Employee Satisfaction:** 67 percent of the respondents feel that employee satisfaction and morale is positive, with 19 percent disagreeing and 13 percent neutral respondents.

- **Evaluations:** 85 percent of the respondents say they are evaluated annually and 80 percent say that the evaluation process provides timely and relevant feedback, but only 60 percent says that management responds and acts on recommendations made in evaluation sessions.

- **Goals:** 24 percent of the respondents disagreed that the Board monitors achievement of its goals and 25 percent are not aware of the Board's goal achievement.

- **Certificate and License Monitoring:** 34 percent of the respondents indicated that management oversight to avoid certificates and licenses from lapsing could be improved.

The decision not to track employee turnover, conduct exit interviews, or survey employees prevents the District from identifying and addressing employee concerns about job satisfaction, which impacts its ability to retain quality and productive employees. Additionally, survey results, while reflecting District employee opinions, can be used to help identify areas that should be reviewed for improvement in human resource operations. Furthermore, the recommendations in the performance audit could help address the issues noted above from the AOS survey, including the following:

- Establishing an employee handbook that contains pertinent policies and procedures (see **R3.15**);
- Purchasing an automated HR management system and increasing centralization of key human resource duties (see **R3.19**);
- Following up with employees on recommendations in prior evaluations (see **R3.18**);

- Monitoring and communicating progress in the achievement of the strategic plan goals, and including specific benchmarks and measures to easily and reliably determine progress in achieving goals (see **financial systems**); and
- Assigning file maintenance duties to one position and centrally storing files (see **R3.18**).

R3.18 The District should assign the responsibility for maintaining all personnel files to one position, centrally store all personnel files, and accordingly expand its policies and procedures for personnel records. The selected position should review the status of teacher certifications on a periodic basis (i.e., at least annually) and formally report the results of the review to the Superintendent. Taking these steps would better ensure that the personnel files are up-to-date and complete, and can be easily accessed. It would also better ensure that evaluations are completed in accordance with District policy and the collective bargaining agreements. Additionally, the District should consider negotiating to require formal evaluations for all teachers at least annually. Based on the AOS survey of District employees, Chardon LSD administrators should ensure that they follow up with staff on recommendations for improvements made in the evaluations.

As negotiated in the collective bargaining agreement, certificated employees are evaluated according to the following schedule:

- **Status I:** Teachers who either have no prior teaching experience, are new to the District, or have one year of experience in the District receive two formal observations and one evaluation in both the first and second semesters.
- **Status II:** Teachers who hold a limited contract and have two to five years of experience in the District receive two formal observations and one evaluation, with at least one observation in the first semester.
- **Status III:** Teachers who have six or more years of experience in the District receive two formal observations and one evaluation every other year.
- **Status IV:** Teachers who hold a continuing contract (tenure) receive one formal observation and one evaluation every three years.

For Status III and IV teachers, an annual professional conference will be held between the administrator and the teacher in the years without a formal observation/evaluation.

The District has a Teacher Appraisal Committee, which consists of three teachers, three administrators, and the superintendent. The District also developed a written manual for the teacher evaluation process. The manual includes the process for formal observations, alternatives to formal observations, evaluation criteria, and administration of the evaluation program. Teacher evaluations encompass several criteria related to teaching performance including:

- Organizing content knowledge for student learning;
- Creating an environment for student learning;
- Teaching for student learning; and
- Teacher professionalism.

Procedures for recipients of one or more unsatisfactory ratings are outlined in the manual and consist of a plan of improvement provided by an administrator. If the improvement plan is not successful in improving the teacher's performance, the committee will make a recommendation to the superintended for non-renewal/termination. A complete grievance procedure is available in the negotiated agreement.

Classified employees are evaluated based on the observation and knowledge of the immediate supervisor (i.e. the supervisor or the manager of operations) no later than April 30 of each year. There is an evaluation form that is completed for each employee that includes criteria such as:

- Production and efficiency;
- Work habits;
- Personal characteristics/qualities; and
- Professional qualities.

Disciplinary and due process procedures for classified employees are included in the negotiated agreement.

While the District has formal procedures for the evaluation process, performance criteria to help evaluate staff, and provisions for employee due process, it does not follow its established policies and procedures. During a random sample review of 20 certificated employee files, AOS noted gaps in written evaluations/observations and the absence of documentation pertaining to certification status and continuing professional education/training. Of the files sampled, 85 percent lacked evidence for one or more of the following elements: evaluations, certifications, or CPE/training certificates. Although the gaps in evaluations and observations for some employees may be partially explained by the District's evaluation schedule, three employee files showed gaps exceeding the maximum timeframe of three years for formal evaluations and observations stipulated in the current collective bargaining agreement. AOS also noted that the certification of one teaching staff member had expired. This can be due, in part, to the teachers being primarily responsible for ensuring that their certifications are current and not formally assigning file maintenance responsibilities to one position. However, Chardon LSD's Executive Secretary indicated that the District's local professional development committee (LPDC) and the related building principal work to ensure current certification/licensing of all teaching staff. During the summer months, the Executive

Secretary indicated that she checks the Ohio Department of Education (ODE) website for the certification expiation dates of Chardon LSD certificated staff.

AOS attempted to perform a random sample review of classified employee files; however, District administrators were unsure of who was responsible for maintaining the files and uncertain of where the files were stored.   Additionally, the Manager of Operations indicated that personnel records in the Board office are outdated.

Although the District has a general policy for personnel records, it does not formally assign the responsibility of maintaining personnel files to a particular position nor does it indicate where to centrally store personnel files. As a result, the District can not be certain that its personnel records are complete and up-to-date.

With the exception of Canfield LSD, the District's evaluation schedule for teachers is generally similar to the peer districts. Canfield LSD's collective bargaining agreement indicates that at a minimum, teachers on a continuing contract may have one evaluation (including at least one 30-minute observation) per school year. In contrast, Chardon LSD's teachers who hold a continuing contract receive one formal observation and one evaluation every three years. While the District is achieving positive educational outcomes as reported by ODE (see **noteworthy accomplishments**) and requires professional conferences during years without formal evaluations, negotiating to require one formal evaluation per year for teachers would be similar to the process for classified staff. Considering that all staff would require at least one evaluation each year, this could make it easier for the District to ensure the completion of evaluations. This could also help better identify improvements, as well as more frequently acknowledge excellent performance.   Furthermore, the Florida Office of Program Policy and Government Analysis (OPPAGA) *Best Practices and Indicators* state that a district should verify that all instructional employees receive performance evaluations at least once a year as required by state law. Ohio law (ORC Section 3319.11.2) does not specifically require annual evaluations, but rather states that "a school district should evaluate the performance of teachers on a regular basis."

Lastly, an AOS survey of District employees revealed that 85 percent of the respondents are evaluated annually, 80 percent indicated that the evaluation process provides timely and relevant feedback, while only 60 percent felt that management responds and acts on recommendations made in evaluation sessions.

R3.19 Chardon LSD should consider purchasing an automated HR management system. This system would enable the District to function more efficiently by providing one central location for the storage of HR information and access to designated staff from many different locations, as well as allowing for convenient tracking of leave usage. Chardon LSD should also consider implementing an automated substitute

calling system to provide an efficient method of contacting qualified substitutes that will reduce the time spent by District personnel in the process. An automated substitute calling system will also provide the District with a convenient reporting system that will improve management's access to data.

In conjunction with increasing the use of technology, the District should consider centralizing key human resource activities among fewer positions. Increasing centralization could enhance accountability and better ensure that human resource functions are performed efficiently and effectively.

Most human resource functions at Chardon LSD are hand-written with limited technology being used. However, having a single, integrated HR technology system can eliminate manual, error-prone work. Additionally, it can establish a single source for workforce information. According to several software developers, HR systems can allow for a consolidated database in which employees get instant answers to HR questions, enroll in benefits, get greater control over personal information, request leave and see compensation history and pay stubs instantly. Furthermore, District administration would be better able to review turnover rates, assess employee satisfaction, manage recruiting activities, and track employee performance.

Currently, the District's has one employee who is paid approximately 2 hours of overtime per school day to find and place certificated and classified substitutes. Another employee in the transportation department as well as central office staff assist when available and necessary. An automated calling system could enable the District to improve the efficiency of scheduling substitutes and tracking absences. One particular phone-based system allows a teacher to call and report an absence and leave a message for the substitute. The system then contacts substitute teachers as prioritized by the district. According to the system's vendor, an automated phone-based substitute calling system offers several benefits, including the following:

- Eliminating the labor intensive task of calling substitutes manually;
- Linking teachers to preferred substitutes or substitute groups;
- Tracking all staff absences;
- Allowing staff to call anytime the system is activated;
- Printing a listing of absent teachers and arranged substitutes at each school each morning; and
- Prioritizing each school's substitute lists.

In addition to the general lack of technology use, human resource functions are performed by numerous employees at the District. More specifically, data entry and maintenance at Chardon LSD are divided between the executive secretary and other clerical support staff throughout the District. Additionally, the Superintendent, Assistant Superintendent,

Director of Personnel, Manager of Operations, Treasurer, school principals, and department heads all have responsibility for some human resource activities. As indicated in the AOS survey of District employees, only half of the respondents are satisfied with how human resource activities are managed in the District. However, these results are partially skewed by the large percentage of neutral responses (21 percent) and no opinion responses (17 percent). Nevertheless, increasing the use of technology would improve the overall efficiency of human resource activities and enable the District to effectively alter the organization of its key human resource functions, such as through increased centralization. Increased centralization could minimize the number of individuals staff needs to contact to obtain answers to human resource questions and desired information. In addition, it could better ensure that key human resource activities are efficiently and effectively executed, including the following:

- Working actively with the insurance committee and consultant to control health care costs and improving the overall management of its health insurance plans (see **R3.6**);
- Continuing the collaboration with the BWC to improve the workers compensation program, and closely monitoring workers compensation claims and premiums (see **R3.8**);
- Helping with the negotiation of collective bargaining agreements (see **R3.12**);
- Helping to strengthen sick leave policies and closely monitoring sick leave usage on a periodic basis (see **R3.13**);
- Instituting a formal process to regularly review and update job descriptions (see **R3.14**);
- Developing a comprehensive human resources employee handbook (**R3.15**);
- Coordinating and ensuring compliance with the hiring process (see **R3.16**);
- Tracking employee turnover, conducting employee exit interviews, and surveying employees to gauge satisfaction levels and insight on human resource activities (see **R3.17**); and
- Maintaining all personnel files and monitoring them to ensure they include appropriate information, such as completed evaluations and up-to-date teacher certifications (see **R3.18**).

Additionally, when combining administrative and clerical staffing to capture total staffing that could be responsible for human resource activities, Chardon LSD employs 11.8 FTEs per 1,000 ADM. Although this is higher than Canfield LSD (8.8), it is lower than Anthony Wayne LSD (12.8) and similar to Highland LSD (12.0). This is also generally comparable to the similar district average of 11.4 FTEs per 1,000 ADM. As a result, the District should be able to centralize key human resource activities with its current staffing levels, especially when considering the potential to improve efficiency via increased use of technology.

Financial Implication: A basic HR software package would have an initial cost of approximately $34,000. The District would also incur an annual technical support and software upgrade cost of approximately $7,500. For an automated substitute calling system, the District could incur one-time costs ranging from $900 to $2,000, while annual costs could range from $300 to $8,600. However, the District would eliminate overtime payments of approximately $9,800 annually related to the substitute calling employee, thereby resulting in a net savings of at least $1,200 annually. The total net costs related to purchasing both an HR software system and a substitute calling system would be approximately $36,000 in one-time costs and $6,300 in annual costs.

Financial Implications Summary

The following tables are summaries of estimated annual cost savings, one-time costs, and annual costs. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiation requires agreement from the affected bargaining units.

Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.6 Require at least a 10 percent employee contribution toward health insurance premiums from all staff	$84,000
R3.6 Require all staff to pay 20 percent of dental premiums	$35,000
R3.7 Alter health plan benefits to reduce premiums	$11,800
R3.9 Eliminate provision requiring additional support staff for exceeding class size restrictions	$19,200
R3.10 Reduce or eliminate sick leave incentive	$18,000 [1]
R3.13 Reduce sick leave use	$21,700
Totals	**$189,700**

[1] Entire savings may not be fully dependant on negotiations

Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings	Implementation Cost (One Time)	Annual Cost
R3.4 Eliminate the payment of the employee's portion of retirement for administrators	$147,000		
R3.15 Purchase HR software system and a substitute calling system		$36,000	$6,300
Totals	**$147,000**	**$36,000**	**$6,300**

Appendix 3-A: Employee Survey Responses

AOS administered an employee survey at Chardon LSD to obtain employee feedback and perceptions concerning human resources issues. One hundred and fifty-five (155) employees completed the survey. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 3-15** illustrates the results.

Table 3-15: AOS Human Resources Survey Results

Survey Questions	Chardon LSD Results
1) I am are of the duties required in my job description.	
1) Strongly Disagree	0%
2) Disagree	1%
3) Neutral/Not Sure	1%
4) Agree	20%
5) Strongly Agree	**78%**
2) My job description accurately reflects my actual daily routine.	
1) Strongly Disagree	0%
2) Disagree	7%
3) Neutral/Not Sure	5%
4) Agree	35%
5) Strongly Agree	**52%**
3) Our department could effectively maintain productivity in the event of a short-tern absence.	
1) Strongly Disagree	3%
2) Disagree	8%
3) Neutral/Not Sure	7%
4) Agree	**43%**
5) Strongly Agree	39%
4) The Board of Education monitors its performance and achievement of its goals.	
1) Strongly Disagree	5%
2) Disagree	19%
3) Neutral/Not Sure	24%
4) Agree	**29%**
5) Strongly Agree	12%
5) I am aware of the Board of Education's achievement goals.	
1) Strongly Disagree	7%
2) Disagree	18%
3) Neutral/Not Sure	20%
4) Agree	**32%**
5) Strongly Agree	16%
6) Cross training has been implemented in my department.	
1) Strongly Disagree	5%
2) Disagree	20%
3) Neutral/Not Sure	**22%**
4) Agree	**22%**
5) Strongly Agree	11%
7) Staff training is effective in my department.	
1) Strongly Disagree	3%
2) Disagree	12%
3) Neutral/Not Sure	16%
4) Agree	**39%**

Survey Questions	Chardon LSD Results
5) Strongly Agree	29%
8) I am evaluated annually.	
1) Strongly Disagree	3%
2) Disagree	7%
3) Neutral/Not Sure	3%
4) Agree	32%
5) Strongly Agree.	**53%**
9) The evaluation process provides timely and relevant feedback.	
1) Strongly Disagree	3%
2) Disagree	3%
3) Neutral/Not Sure	11%
4) Agree	33%
5) Strongly Agree.	**47%**
10) Evaluations are done in accordance with collective bargaining contracts.	
1) Strongly Disagree	0%
2) Disagree	3%
3) Neutral/Not Sure	3%
4) Agree	30%
5) Strongly Agree.	**55%**
11) The evaluation form used is relevant to my job duties.	
1) Strongly Disagree	1%
2) Disagree	3%
3) Neutral/Not Sure	8%
4) Agree	34%
5) Strongly Agree	**49%**
12) Management responds and acts on recommendations made in evaluation sessions.	
1) Strongly Disagree	1%
2) Disagree	9%
3) Neutral/Not Sure	16%
4) Agree	**34%**
5) Strongly Agree	26%
13) The District's employee sick leave policy is too lenient.	
1) Strongly Disagree	32%
2) Disagree	**44%**
3) Neutral/Not Sure	11%
4) Agree	4%
5) Strongly Agree	2%
14) The District's employee substitutes are qualified and effective.	
1) Strongly Disagree	1%
2) Disagree	7%
3) Neutral/Not Sure	20%
4) Agree	**52%**
5) Strongly Agree	16%
15) Current substitute system is effective in placing substitutes.	
1) Strongly Disagree	1%
2) Disagree	7%
3) Neutral/Not Sure	14%
4) Agree	**53%**
5) Strongly Agree	20%
16) I am aware of few lapses in certificate/licenses due to lack of management oversight.	
1) Strongly Disagree	18%
2) Disagree	16%
3) Neutral/Not Sure	14%

Survey Questions	Chardon LSD Results
4) Agree	17%
5) Strongly Agree	14%
17) I am satisfied with how human resources activities are managed in the District.	
1) Strongly Disagree	1%
2) Disagree	11%
3) Neutral/Not Sure	21%
4) Agree	37%
5) Strongly Agree	13%
18) I am satisfied with the overall effectiveness of human resources management policies and procedures.	
1) Strongly Disagree	1%
2) Disagree	10%
3) Neutral/Not Sure	24%
4) Agree	35%
5) Strongly Agree	15%
19) I am informed of changes in District policies and procedures.	
1) Strongly Disagree	0%
2) Disagree	7%
3) Neutral/Not Sure	16%
4) Agree	41%
5) Strongly Agree	29%
20) The District's overall recruitment process is effective.	
1) Strongly Disagree	1%
2) Disagree	8%
3) Neutral/Not Sure	24%
4) Agree	33%
5) Strongly Agree	16%
21) The District's procedures regarding job posting and hiring are effective.	
1) Strongly Disagree	1%
2) Disagree	7%
3) Neutral/Not Sure	15%
4) Agree	45%
5) Strongly Agree	26%
22) I am satisfied with procedures regarding health benefits.	
1) Strongly Disagree	1%
2) Disagree	5%
3) Neutral/Not Sure	8%
4) Agree	45%
5) Strongly Agree	32%
23) Current grievance procedures are fair and effective.	
1) Strongly Disagree	0%
2) Disagree	2%
3) Neutral/Not Sure	18%
4) Agree	41%
5) Strongly Agree	18%
24) Current discipline procedures are fair and effective.	
1) Strongly Disagree	2%
2) Disagree	9%
3) Neutral/Not Sure	14%
4) Agree	41%
5) Strongly Agree	18%
25) I feel overall District employee's satisfaction and morale is positive.	
1) Strongly Disagree	2%
2) Disagree	17%

Survey Questions	Chardon LSD Results
3) **Neutral/Not Sure**	13%
4) **Agree**	**45%**
5) **Strongly Agree**	22%

Note: Due to some individuals not responding to a question, survey percentages will not add up to 100 percent

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Facilities

Background

This section of the performance audit focuses on Chardon Local School District's (Chardon LSD) custodial, maintenance, and building operations. The objective is to analyze the areas and develop recommendations for operational improvements and reductions in expenditures. The District's operations are evaluated against best practices and operational standards from applicable sources, including the American School and University (AS&U) *Maintenance & Operations Cost Study* and the National Center for Educational Statistics (NCES). In addition, peer districts were used when assessing various provisions in Chardon's classified collective bargaining agreement. The peer districts include Anthony Wayne Local School District (Anthony Wayne LSD), Canfield Local School District (Canfield LSD), and Highland Local School District (Highland LSD). Furthermore, AOS administered a survey of Chardon LSD's employees regarding custodial and maintenance services and the results of the survey were used in this report. **Appendix 4A** at the end of this section contains the full results of the survey.

Organizational Structure and Function

During FY 2004-05, Chardon LSD consisted of six schools: four elementary schools (grades K through 5), one middle school (grades 6-8), and one high school (grades 9-12). The District also operated an administration building and maintenance office separate from the other facilities. The Custodial and Maintenance Departments are responsible for the operation and upkeep of these additional facilities. The Manager of Operations is ultimately responsible for the oversight of all classified employees.

Staffing

The goal of the custodial and maintenance staff is to provide the students with a safe, attractive and clean place in which to learn, play and develop. Accordingly, the custodial staff is responsible for opening, closing and cleaning the buildings. During days when school is in session and it is not possible to enter classrooms to clean, the day custodians and cleaning staff maintain common areas; perform minor building repairs; maintain grounds, including trimming and weeding; and perform other duties as assigned. The building principals are responsible for the daily supervision of the custodial staff assigned to their buildings.

The maintenance staff helps support the goals of the District by maintaining the heating, ventilating, air conditioning, and plumbing systems within the various buildings. The maintenance staff also performs general painting, carpentry and electrical work for the District.

For nine months, grounds keeping activities are the responsibility of the day time custodial and maintenance staffs, and include performing lawn maintenance duties on the athletic fields throughout the District and assisting in other duties (snow removal, painting, etc.) during the winter months. Part-time student employees help provide grounds maintenance during the three summer months.

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintaining Chardon LSD's facilities.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2004-05

Classification	Total Number of Positions	Number of Full-time Equivalents
Manager of Operations	1	1.0
Total Administration	**1**	**1.0**
Total Custodial	**20**	**19.7**
Total Grounds	**0**	**1.3** [1]
Total Maintenance	**5**	**4.0**
Total	**26**	**26.0**

Source: Chardon LSD

[1] FTEs calculated based on the maintenance staff spending approximately 20 percent of their time on grounds keeping functions and six day time custodians spending approximately 5 percent on grounds maintenance.

Key Statistics

Key statistics related to the facility maintenance and operations (M&O) of Chardon LSD are presented in **Table 4-2**. In addition, results from the 34th Annual American School and University (AS&U) *Maintenance and Operations Cost Study*, which was released in April 2005, and statistics from the NCES *Planning Guide for Maintaining School Facilities* (2003) are included in **Table 4-2** and throughout this section of the report. AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. This year's report provides the median number for each category on a national level and by district enrollment.

Table 4-2: Key Statistics and Indicators

Number of School Buildings	**6**
• Elementary Schools	4
• Middle School	1
• High School	1
• Other	2
Total Square Feet Maintained	**352,029**
• Elementary Schools (Includes a modular unit)	123,457
• Middle School and Administration Building[1]	94,224
• High School and Maintenance Office[1] (Includes a modular unit)	134,348
Square Feet Per FTE Custodial Staff Member (19.7 FTEs)	**17,869**
• Elementary Schools (7.8 FTEs)	15,828
• Middle School (4.95 FTEs)	19,035
• High School (6.95 FTEs)	19,331
AS&U 34th Annual Cost Survey (1,000 to 3,499) Students Median	29,805
AS&U 34th Annual Cost Survey National Median	25,444
NCES Standard Square Feet per FTE	29,500 [2]
Square Feet Per FTE Maintenance Staff Member (4.0)	**88,007**
AS&U 34th Annual Cost Survey (1,000 to 3,499) Students Median	100,000
AS&U 34th Annual Cost Survey National Median	87,931
Acres (79.05) per Groundskeeper [3] FTE (2.55)	**31**
AS&U 34th Annual Cost Survey (1,000 to 3,499) Students Median	48
AS&U 34th Annual Cost Survey National Median	41
NCES Standard Acres per FTE	18 [4]

Source: Chardon LSD; AS&U 34th Annual Maintenance and Operations Cost Survey, NCES

Note: Chardon LSD uses two modular units, one located at an elementary school and used as an office (550 square feet) and one used as classroom space at the high school (800 square feet) for a total of 1,350 square feet of space.

[1] The Administrative building is located next to the middle school and the maintenance office is located next to the high school, allowing the custodial staff from the school buildings to service these other buildings. Therefore, the related square footage was included with their companion school academic building.

[2] Represents the average of NCES Level 3 cleaning standard (the normal standard for most school facilities) of 28,000 to 31,000 square feet per custodian.

[3] Grounds keeper FTEs calculated by allocating 20 percent of the maintenance staff (1.0 FTE), 5 percent of day-time (6) custodians (0.3 FTE) and 5 three month seasonal employees (1.25 FTE) to this function.

[4] NCES' recommended "standard" level of service for basic grounds care. NCES' recommended "acceptable" level of service is 20 acres per staff, while its recommended "high" level of service is 15 acres per staff for basic grounds care.

As illustrated in **Table 4-2**, Chardon LSD's square footage per custodial FTE is lower than the AS&U medians and NCES standard (see **R4.1**). Although the acres per groundskeeper FTE is lower than the AS&U medians, it is significantly higher than the NCES standard (see **R4.1**). In addition, the District's square footage per maintenance FTE falls between the AS&U medians (see **assessments not yielding recommendations**).

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate Chardon LSD's facilities for FY 2003-04 and FY 2004-05, and budgeted information for FY 2005-06. Chardon LSD uses the General Fund to record all maintenance and operations expenditures.

Table 4-3: Analysis of Expense Variances from FY 2003-04 to FY 2005-06

	FY 2003-04 Expenditures	FY 2004-05 Expenditures	Percentage Change	FY 2005-06 Budget	Percentage Change FY05 to FY06
Salaries/Wages	$958,605	$946,380	(1.3%)	$986,171	4.2%
Benefits	$444,515	$453,812	2.1%	$449,650	(0.9%)
Purchased Services	$124,057	$243,410	92.6%	$208,580	(14.3%)
Utilities	$604,912	$572,655	(5.3%)	$646,700	12.9%
Supplies & Materials	$221,776	$216,210	(2.5%)	$202,800	(6.2%)
Capital Outlay	$24,411	($4,567) [1]	(118.7%)	$2,800	161.3%
Other	$750	$600	(20.0%)	$600	0.0%
Total	**$2,379,026**	**$2,428,500**	**2.1%**	**$2,497,301**	**2.8%**

Source: Chardon LSD's Treasurer's Office
[1] Reflects the District returning equipment.

Table 4-3 illustrates that the District reduced expenditures by 7.3 percent from FY 2003-04 to FY 2004-05. It budgeted an increase of 2.8 percent for FY 2005-06, mainly due to salaries/wages and utilities. The areas that fluctuated considerably include:

- **Purchased Services:** The District incurred architecture and renovation costs in FY 2004-05 with the start of projects at each of the elementary schools and at the middle and high school. In addition, repairs and maintenance began on District grounds and roadways. As these activities were initiated in FY 2004-05, the budget for FY 2005-06 decreased by 14.3 percent, but includes projected expenditures to finish the projects started in FY 2004-05.

- **Utilities:** The projected increase in FY 2005-06 for utility expenses is a reflection of increasing prices rather than increased usage as stated in the five-year forecast assumptions. See the **financial systems** section for further discussion of the District's overall purchased service and utility expenditures.

Table 4-4 is a comparison of Chardon LSD expenditures per square foot to the AS&U median for schools with 1,000 to 3,499 students and the AS&U national median.

Table 4-4 Maintenance & Operating Costs per Square Foot

	FY 2004-05 Actual	AS&U Median 1,000 to 3,499 Students	AS&U National Median
Salaries and Benefits	$3.98	$2.05	$1.79
Purchased Services	$0.69	$0.17	$0.24
Utilities	$1.63	$1.36	$1.35
Supplies/Materials	$0.61	$0.25	$0.27
Capital Outlay	($0.01)	N/A	N/A
Other	$0.00	$0.11	$0.19
Total Expenditures	**$6.90**	**$3.94**	**$3.84**

Source: 34th Annual M&O Cost Study, American School & University (AS&U), Interview with Chardon LSD Operations Manager

Table 4-4 illustrates that Chardon LSD's expenditures per square foot are higher than the AS&U National Mean in all categories except capital outlay and the "other" category. The District's higher ratio of salary and benefit expenditures per square foot is primarily due to higher custodian/grounds staffing levels (see **R4.1**). The District completes all maintenance in house including boiler replacements, with the exception of roofing, concrete, asphalt, and other projects that require heavy equipment. However, its purchased service expenditures per square foot are four times higher than the AS&U median for similar-sized districts and close to three times higher than the AS&U national median. This is due, in part, to the services for replacing boilers, roofs and windows, and repairing a brick wall around the athletic field. All but two roofs have been replaced in the last five years. Nevertheless, conducting periodic audits of its facilities and developing appropriate plans would help the District identify and anticipate the needs of its facilities, and accordingly avoid substantial long-term costs related to contracting for services to repair or replace equipment. For example, conducting audits and advanced planning could help the District determine whether it is more cost-effective to continually maintain or replace a piece of equipment (see **R4.9**, **R4.10** and **R4.11**).

Table 4-4 also shows that Chardon LSD's supply and material expenditures per square foot are over two times higher than the AS&U medians. Although the size of the student population can impact some supply and material expenses, the District's costs per student ($65) are higher than the AS&U national median ($54) and similar-sized school district median ($50). This could be due, in part, to the high building utilization rates (see **R4.13**), which require more frequent purchasing of cleaning and paper supplies, and replacement of carpets and other flooring due to increased usage. However, the limited use of the Ohio Schools Council purchasing program, the District's current threshold for requiring multiple quotes, and the failure to track supply costs on work orders could also contribute to the higher supply and material expenditures (see **R4.2** and **R4.4**).

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on another area within the facilities section which did not warrant changes and did not yield recommendations. This area is discussed below:

- **Health and Safety:** The District has written policies and procedures to address health and safety conditions, student safety, student conduct on buses and procedures for handling gang-related activities. The District is also currently participating in the Bureau of Worker's Compensation Premium Discount program, which will result in the creation of more detailed safety policies and procedures (see **human resources** section). Furthermore, the District has developed an Emergency Operations Manual for each of its school buildings. The manual explains emergency operation team responsibilities, and procedures for handling major emergencies.

- **Maintenance Staffing: Table 4-2** shows that Chardon LSD's maintenance staff are maintaining 88,007 square feet per FTE, when excluding time devoted to grounds. This falls between the AS&U medians (100,000 and 87,931).

Noteworthy Accomplishments

During the course of this performance audit, the following noteworthy accomplishment or best practice was observed.

- **Energy Management:** Although the District's utility costs per square foot are high (see **R4.8**), the District has made efforts to start controlling energy costs through the Energy for Education Program of the Ohio Schools Council (OSC) purchasing program and installing a computerized energy monitoring system.

- **Building Utilization Rates:** Chardon LSD is optimizing the capacity of its school buildings (see **Table 4-8**) while achieving an "Excellent" academic rating as defined by the Ohio Department of Education for the last four years, beginning with school year 2001-02.

- **Security:** The District has maintained a focus on security of the buildings and grounds. The District has security protocols and plans for each school. A monitored security system with controlled access has been installed at all buildings, and motion detectors have been installed in appropriate places. Computers and computer rooms are secured by a separate security system. All buildings have fire alarms and fire drills are conducted in accordance with ORC § 3737.73.

Recommendations

Staffing

R4.1   Chardon LSD should consider reducing at least 5.0 custodial FTEs and reassigning 1.85 custodial FTEs to the grounds function to bring workload ratios more in line with NCES benchmarks. In addition, the District should review key variables, including building square footage and the assignment of grounds duties to custodians, to reallocate the remaining custodial staff to its buildings in a manner that equitably distributes the custodial workload.

Chardon LSD's custodial staffing levels are higher than industry standards, which could be partially due to the lack of formally established benchmarks to ensure efficient staffing levels (see **R4.6**), and the absence of formal procedures (see **R4.5**). Custodial building assignments are as follows: two to each of the four elementary schools; five to the middle school and administrative building; and seven to the high school.

According to the NCES *Planning Guide for Maintaining School Facilities* (2003), there are five levels of cleanliness. Level three cleaning is the norm for most school facilities and is acceptable to most stakeholders while not posing any health issues. According to the level three standards, a custodian can clean approximately 28,000 to 31,000 square feet in eight hours. Using the mid-point of the range, a custodian can maintain 29,500 square feet in an eight hour period. As shown in **Table 4-2**, Chardon LSD is maintaining only 17,869 square feet per custodian FTE, which is 39 percent lower than the NCES level three average. Furthermore, the District's square footage per custodian FTE is 40 and 30 percent lower than the AS&U similar sized school district (29,805) and national (25,444) medians, respectively.

Table 4-5 presents the District's current custodial staffing assignments, and one example of reducing and then reallocating custodial staffing levels in a manner that provides an equitable distribution of square footage per custodian while simultaneously achieving NCES' level three cleaning benchmark.

Table 4-5: Comparison of Square Feet Maintained per Custodial FTE

Building	Square Feet	Current FTEs [1]	Current Square Feet/ FTE	FTEs to Come Closer to NCES Standard	New Square Feet Maintained
Hambden Elementary	20,859	1.95	10,697	1.0	20,859
Maple Elementary and Modular Unit	27,070	1.95	13,882	1.0	27,070
Munson Elementary	31,228	1.95	16,014	1.0	31,228
Park Elementary	44,300	1.95	22,718	1.5	29,533
Chardon Middle and Administration Building	94,224	4.95	19,035	3.0	31,408
Chardon High, Modular Unit, Maintenance Office	134,348	6.95	19,331	4.5	29,855
Total	352,029	19.7	17,869	12.0	29,336

Source: NCES and Chardon LSD

Note: Chardon Middle School provides custodial services to the administrative offices.

[1] Custodial FTEs are adjusted to reflect actual percent of time spent on custodial functions, based on an estimate provided by the District.

As indicated in **Table 4-5**, Chardon LSD's current square footage per custodial FTE varies widely within its elementary schools, while the custodians at the middle and high schools maintain much more square footage per FTE when compared to the custodians assigned to the Hambden, Maple, and Munson elementary schools. **Table 4-5** shows that the District could reduce 7.7 FTEs to achieve NCES' level three cleaning benchmark. In addition, reassigning the remaining custodial staff as shown in **Table 4-5** would make the square footage per FTE more equitable among all of the buildings, when compared to the current staffing assignments. However, this reassignment example does not take into consideration all of the factors that can impact custodial staffing levels. According to the NCES *Planning Guide for Maintaining School Facilities* (2003), the actual number of square feet a custodian can clean per shift will depend on variables such as the type of flooring, wall covers, and the number of windows. Other factors that could impact custodial staffing in each building include building utilization rates (see **R4.13**), the age of the students and the age of the facility. When making reductions and reassignments, the District would also need to review and potentially change the assignment of grounds duties to each of the custodians.

Although the District could reduce 7.7 custodial FTEs, its grounds staffing levels appear low when compared to NCES' benchmarks. More specifically, the number of acres maintained per grounds FTE at Chardon (31) is much higher than NCES' recommended "standard" level of service for basic grounds care of 18 acres per grounds worker. In addition, NCES' recommended "acceptable" level of service is 20 acres per staff member, while its recommended "high" level of service is 15 acres per staff member for basic grounds care. If the District reassigned 1.85 custodian FTEs to grounds, staff would maintain approximately 18 acres per grounds FTE. This would, in turn, result in a

net reduction of 5.85 custodial FTEs, based on the comparisons in **Table 4-5**. However, in order to provide a conservative estimate, and in light of the District's high building utilization rates and increasing enrollment (see **R4.12** and **R4.13**), the District may want to initially reduce 5.0 custodian FTEs. This would increase the District's square footage per custodian to 27,395, which is slightly lower than NCES' level three cleaning standard of 28,000 to 31,000 square feet per custodian. This would help to ensure that Chardon LSD has sufficient staff to clean the buildings and allow the District to reallocate additional custodial staff, if needed, to adequately maintain the grounds, particularly if the District can not attract the same level of student seasonal support for grounds in the future. Furthermore, the District may be able to reassign additional maintenance FTEs to grounds, if needed, considering that the District's square feet per maintenance FTE (88,007) is much lower than the AS&U median for similar sized districts (100,000).

Financial Implication: If the District reduced 5.0 custodial FTEs, it would save approximately $210,000 annually in salary and benefits costs. Savings estimates are based on the average salary of the lower-salaried custodians and benefits equivalent to 32 percent of salaries.

Supplies and Materials

R4.2   **The District should consider using the Cooperative Purchasing Program of the Ohio Schools Council (OSC) to purchase supplies and materials, and work with the OSC to rectify its prior problems and challenges related to the OSC program. In addition to realizing potential savings, this would eliminate the need for the District to enter into multi-year contracts with vendors for supplies, thus saving the time and effort involved with reviewing, re-bidding, and managing contracts. For supplies not available through the OSC, the Manager of Operations should purchase supplies in bulk or seek to establish joint agreements with local governments, and negotiate to have the supplies delivered to the District as needed or on an agreed upon schedule. However, before deciding to purchase supplies from any source, the District should review and compare pricing from multiple sources (including consortiums). Furthermore, the District should monitor supply usage and costs via a computerized maintenance management system (CMMS – see R4.4).**

In order to better ensure that items are purchased in a competitive environment, the Board should consider adding another threshold to its purchasing policy. For example, adopting a policy that required all purchases costing more than $1,000 to have a minimum of three price quotations would better ensure that the District was receiving the best price for supplies and materials, particularly those that are dependant on work orders (i.e., related to repairs and maintenance). The policy should state whether the vendor quotes are to be written or verbal, and should require that the quotes be attached (noted on the p.o. if verbal) to the purchase

order prior to submission to the Treasurer's Office for processing. Additionally, the Board should revise its purchasing policy to encourage District administration to purchase supplies and materials in bulk from independent vendors where appropriate (e.g, supplies not available from the OSC).

The District belongs to the National Association for the Exchange of Industrial Resources (NAEIR), which is a gifts-in-kind organization that provides free merchandise to nonprofit organizations. Merchandise available through NAEIR includes office, maintenance and janitorial supplies, and clothing goods. On average, NAEIR members receive about $18,000 of free merchandise per year. From November 2004 to October 2005, the District received approximately $8,000 of merchandise from NAIER. In addition, the District belongs to The Cooperative Purchasing Program of the Ohio Schools Council (OSC). Despite these memberships, the District's supply and material expenditures per square foot and per student are significantly higher than the AS&U medians (see **Table 4-4**). This is due, in part, to limited participation in the OSC program, the District's current threshold for requiring multiple quotes, and the fact that supply costs are not tracked.

According to the Manager of Operations, the District contracts for supplies with several vendors and re-bids these contracts when they expire. The contracts are in effect for approximately 4 to 5 years. According to the Treasurer's Office, the District has not maximized participation in OSC's purchasing program because of prior billing errors, lack of suppliers located close to District facilities, lack of storage space for bulk deliveries, and unavailability of needed supplies. However, the 2005-06 general conditions and procedures of OSC's purchasing program indicate that the vendor is responsible for delivering the goods within 30 days after the purchase order has been received, or on a date specified by the school district. As a result, the proximity of OSC's suppliers should not hinder the District's participation in the program. By not participating in the OSC program for supplies, the District is not taking advantage of already negotiated prices that could be lower than those offered by the District's current suppliers. More specifically, OSC has the ability to increase the volume of purchases to lower the price charged to its members. Seventy-three organizations participated in OSC's Cooperative Purchasing Program in FY 2004-05. According to the Treasurer's Office, Chardon LSD is working with OSC to resolve the prior problems and obstacles.

Board policy requires competitive bids for construction, demolition, or other building improvement contracts that exceed the amount established by State law, which is $25,000 according to ORC Section 3313.46. Board policy also requires three price quotes for purchases over $5,000 but under $25,000. Therefore, supply and material purchases under $5,000 could be obtained in a non-competitive environment. In addition, although the Board has a policy encouraging the administration to seek cooperative purchasing agreements with other governmental units, it does not have a policy encouraging the

District to independently pursue bulk purchasing agreements. Bulk purchasing agreements can be obtained without contracting with other governmental units. Furthermore, the failure to track supply costs on work orders (see **R4.4**) inhibits the District from effectively monitoring supply use and costs, and determining whether the appropriate type and quantity of supplies are purchased (see **Table 4-4**).

Increasing participation in OSC's program, purchasing in bulk or establishing joint agreements with local governments, and comparing pricing from multiple sources would provide the District with a higher level of assurance that it is receiving favorable prices for supplies and materials. This may also enable the District to reduce its supply and material expenditures. Monitoring supply usage and costs via a computerized maintenance management system (see **R4.4**), and conducting audits and advanced planning could also help ensure that the District uses and purchases the appropriate type and quantity of supplies and materials (see **R4.9**, **R4.10** and **R4.11**).

Financial Implication: If the District was able to reduce supply and material expenditures per square foot by at least half of the difference when compared to the AS&U medians as a result of implementing this recommendation, it would save approximately $60,000 annually.

Overtime

R4.3 **Chardon LSD, with input from its legal counsel, should address overtime language in future contract negotiations, including the elimination of the following provisions:**

- **Offering overtime to regular employees before a substitute is used;**
- **Paying overtime to inspect buildings on the weekends and District holidays, and double time to inspect buildings on legal holidays and Sundays; and**
- **Paying overtime for working the North East Ohio Education Association (NEOEA) day**

Chardon LSD should also implement flex/staggered schedules to provide adequate coverage for after school activities, weekend events, and staff absences, to minimize overtime. Likewise, staff schedules should be staggered during winter months to ensure that staff can clear snow and ice before school starts. In addition to staggering staff schedules to avoid overtime for weekend building inspections, the District should consider conducting building inspections on an as needed basis. The District's computerized system of environmental controls and security system should minimize the need for frequent building inspections on weekends and holidays.

As leave use impacts overtime usage and overall productivity in the department, the Manager of Operations and the principal of each school should closely monitor sick leave and other leave usage, and work with the District administration to implement other measures to address the custodians' high sick leave usage (see the human resources section for an assessment of District-wide sick leave usage). By renegotiating contractual language, reducing sick leave usage, and staggering schedules, the District can reduce its overtime expenditures.

Table 4-6 shows the overtime expenses as a percentage of total salary and overtime expenses for custodial and maintenance operations from FY 2001-02 to FY 2004-05.

Table 4-6: Comparison of Overtime and Substitute Expenditures

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Custodial Salaries	$481,651	$493,328	$483,095	$489,583
Maintenance Salaries	$143,806	$142,240	$148,365	$156,454
Total Salaries	**$625,457**	**$635,568**	**$631,460**	**$646,037**
Custodial Overtime	$60,116	$63,072	$62,464	$55,115
Maintenance Overtime	$7,999	$10,537	$10,641	$13,846
Total Overtime	**$68,115**	**$73,609**	**$73,105**	**$68,961**
Custodial Overtime Percentage	11.1%	11.3%	11.4%	10.1%
Maintenance Overtime Percentage	5.3%	6.9%	6.7%	8.1%
Total Overtime Percentage	**9.8%**	**10.4%**	**10.4%**	**9.6%**

Source: Chardon LSD BudWrk Report
Note: Overtime percentage is based on combining salaries and overtime expenses together.

Table 4-6 indicates that overtime expenditures were approximately 10 percent of total salaries/overtime during the past four years. This is primarily due to the much higher custodial overtime percentage; despite the relatively high custodian staffing levels (see **R4.1**). The following provisions in the Chardon Association of Classified Employees (CACE)-Ohio Education Association/National Education Association (OEA/NEA) collective bargaining agreement contribute to the District's overtime usage:

- Building checks are to be offered to head custodians in the middle and high schools on a rotating basis. In addition, custodial staff is to be paid time and one-half for hours of overtime to inspect buildings on weekends, Board holidays, and double time on legal holidays and Sundays. While peer contracts also provide overtime or double-time pay for completing building checks, Canfield LSD has the option to flex schedules, with custodial agreement, for building checks. Additionally, with Chardon LSD's current security system and implementation of a computerized energy management control system that automatically monitors building conditions and

responds to building alarms 24 hours a day, 7 days per week, frequent building inspections are no longer necessary. Nevertheless, according to the Manager of Operations, Chardon LSD staff complete building checks each weekend.

• All twelve-month employees required to work on NEOEA Day are paid time and one-half. None of the peers have contractual language requiring staff to be paid overtime for working on NEOEA day.

• Overtime, extra duty assignments, and temporary assignment shall be offered to regular employees before a substitute is used. In addition to covering for leave use, this would apply for coverage at extracurricular activities and events held after hours or on the weekends, unless the events are scheduled at the high school which has a third shift. Chardon LSD does not use a flexible schedule to minimize overtime use. In contrast, Highland LSD has a flexible schedule option through its contractual agreement that allows the district to allocate custodial staff to cover weekend and evening activities without paying overtime. Lastly, during heavy snow seasons, Chardon LSD staff may be asked to report to work several hours early to clear snow or lay salt for the start of the school-day, contributing to overtime usage.

In addition to the collective bargaining unit provisions and the lack of flexible schedules, the District's high sick leave usage contributes to custodial overtime. More specifically, while maintenance employees averaged only 4.2 and 2.1 sick leave days per FTE in FY 2003-04 and FY 2004-05, respectively, the custodians averaged 11.9 and 14.5 sick leave days per FTE in those respective years. This is much higher than the average of 7.2 sick leave days per employee in FY 2005 reported by the Ohio Department of Administrative Services for employees represented by the State AFSCME collective bargaining unit (see the **human resources** section for an in-depth assessment of sick leave use).

Financial Implication: By implementing the above mentioned strategies, the District should be able to reduce total overtime costs. If Chardon LSD reduced overtime costs to 5 percent of personnel expenditures, it would save approximately $35,000 annually. This is based on FY 2004-05 salaries and overtime expenditures.

Work Orders and Preventative Maintenance

R4.4 Chardon LSD should consider purchasing a computerized maintenance management system (CMMS) that is compatible with the District's other operating systems and software. A CMMS would allow the District to more effectively schedule and track preventative and general maintenance tasks, as well as begin tracking and monitoring the costs of supplies and materials used on a project, the cost of labor (including staffing levels and overtime usage), and the productivity and performance of assigned personnel. Tracking labor and supply costs would help the

Manager of Operations determine the costs of preventative maintenance activities, thereby making future preventive maintenance costs more predictable. This would also help the District anticipate needed facility and equipment repairs and replacements. Furthermore, tracking labor time and costs would help the Manager of Operations better quantify the amount of time spent by staff on maintenance activities, especially since the District does not have staff strictly devoted to maintenance. This would, in turn, help to ensure that the time spent is sufficient to adequately maintain the District's facilities.

The District does not have an automated data system to maintain facilities information, but does have a manual work order system. Work orders are received by the Manager of Operations. The daily schedule, prepared by the Manager of Operations, is prioritized by emergency, deadline, receipt of work order, and geographic location. However, the work orders do not include a job tracking number, priority field, or a field to track supply and labor costs.

According to the NCES *Planning Guide for Maintaining School Facilities* (2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. A work order system can be a manual, paper-based, tracking tool. More efficient (depending on the size of the organization) work order systems come in the form of computerized maintenance management systems. Their purpose is to manage work requests as efficiently as possible and meet the basic information needs of the district. CMMS software must also be user friendly so that it can be implemented with minimal training.

According to NCES, the CMMS should be network or Web-based, be compatible with standard operating systems, have add-on modules such as those incorporating the use of hand-held computers, and be able to track assets. Source codes must be accessible so that authorized employees are able to customize the system to fit the District's needs as necessary. In terms of utility, a good CMMS program will do the following:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Allow the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included;
- Allow labor and parts costs to be captured on a per-building basis or a per-task basis.

At a minimum, NCES indicates that work order systems should account for:

- The date the request was received;

- The date the request was approved;
- A job tracking number;
- Job status (received, assigned, ongoing, or completed);
- Job priority (emergency, routine, or preventive);
- Job location (where, specifically, is the work to be performed);
- Entry user (the person requesting the work);
- Supervisor and craftsperson assigned to the job;
- Supply and labor costs for the job; and
- Job completion date/time.

In the *Ins and Outs of School Facility Management, More than Bricks and Mortar* (2005), Chan and Richardson state that when making decisions for prioritization of preventive maintenance, the following principles can be followed:

1. **Safety**: All maintenance requests relating to safety issues have to be treated as an emergency and have to be addressed immediately, even if maintenance staffs have to be pulled from other assignments.
2. **Deadline**: Some maintenance requests have specific deadlines. The work has to be done by the requested time for certain events. Missing the deadline could incur serious consequences.
3. **Length of time**: How much time will it take to complete the requested work is an important consideration in determining priorities. It makes sense to schedule some of the non-urgent and time-consuming work for the summer so that more time can be reserved to take care of more urgent projects during the school year.
4. **First-come-first-serve**: First-come-first-serve is a basic principle that is difficult to dispute.
5. **Nature of requested work**: Some requested work has no urgency in terms of safety or meeting deadlines. But, some of the problems, if not addressed in a timely manner, could be intensified and cause other related damages.
6. **Geographic location**: Geographic location is an important factor in considering work priorities. Even though a request may have come in later than other requests, it makes sense for the maintenance staff to take care of it while they are in the same area doing work. Considering geographic location in scheduling is a way to make the best use of maintenance resources.

According to District staff, these principles are followed by Chardon LSD. However, because labor and supply costs are not tracked in the current manual system, the District can not accurately determine the costs related to preventative maintenance. This hinders the District's ability to predict future costs, and anticipate needed facility and equipment repairs and replacements. In addition to tracking labor and supply costs, a CMMS would enable the District to easily schedule preventative maintenance to ensure it is performed according to the appropriate schedule or deadline, track the time involved to complete the

work, and help prioritize preventative tasks. Further, a CMMS system would support the District's efforts to communicate work order information to other employees, as referenced in the employee survey (see **appendix 4A**).

A number of providers offer CMMS, ranging from basic to more comprehensive software. In some cases, a potential client can obtain basic software at no cost or for a trial period.

Financial Implication: The cost of a computerized maintenance management system ranges from $195 to $19,600 depending on the number of features. This does not include the cost to provide any necessary computer hardware and training to maintenance personnel.

Operational Procedures

R4.5   Chardon LSD should formalize custodial and maintenance procedures in a manual to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty and the frequency of job tasks. The manual should also include the District's custodian run sheets for each of the buildings, to help promote consistency and efficiency. In addition to formalizing procedures, Chardon LSD should provide training on the procedures, and should periodically review staff performance. Developing formal procedures for routine activities and providing training would increase the efficiency of custodial and maintenance operations, better ensure that all District facilities are sufficiently and consistently cleaned and maintained, and help contain overtime costs.

The District does not have a formal custodial and maintenance procedure manual. However, each custodian has a strict "run" that is constantly being adjusted based on current needs assessments performed by the principal and head custodian. The run documents what needs to be accomplished by the custodian for each shift and each hour of the shift. A run is a check list of jobs to be done at certain times and on certain days of the week. Employees have input into the runs and sign off on the job assignments.

Maintenance employees work under the direction of the Manager of Operations, who determines daily work assignments based on work orders received and the preventive maintenance schedule, which are prioritized. Maintenance employees address major repair projects during the periods students are not in the buildings, such as holidays and summer vacation. Major repairs can include boiler installation, window replacement, and kitchen deep cleaning.

Without a formal procedures manual to guide employees, typical custodial and maintenance processes may be applied inconsistently or ineffectively.

The Association of School Business Officials International published the *Custodial Methods and Procedures Manual* (2000), to serve as a guideline for developing procedures for custodial and maintenance personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. The manual can be used by districts as the basis for developing a standard procedure and policy manual. An example of a custodial and maintenance handbook is Brevard County Florida's *FY 2005-06 Custodial Standards Handbook*. The handbook includes the Board mission statement, an environmental, health, and safety mission statement, departmental structure, and facility assessment guidelines.

Lastly, the International Sanitary Supply Association (ISSA) has developed a training program manual designed to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers on the following topics:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Financial Implication: The cost of the ISAA manual is $60 for non-members and $45 for members. In addition to this manual, ISSA has several other training programs for custodial staff.

R4.6   **Chardon LSD should develop performance standards for commonly repeated tasks to assess staff performance, and to ensure that all schools are maintained efficiently. Additionally, the District should use peer and industry benchmarks to more objectively measure maintenance and custodial operations. By collecting and**

comparing data, the District would be able to objectively assess operational efficiency and effectiveness.
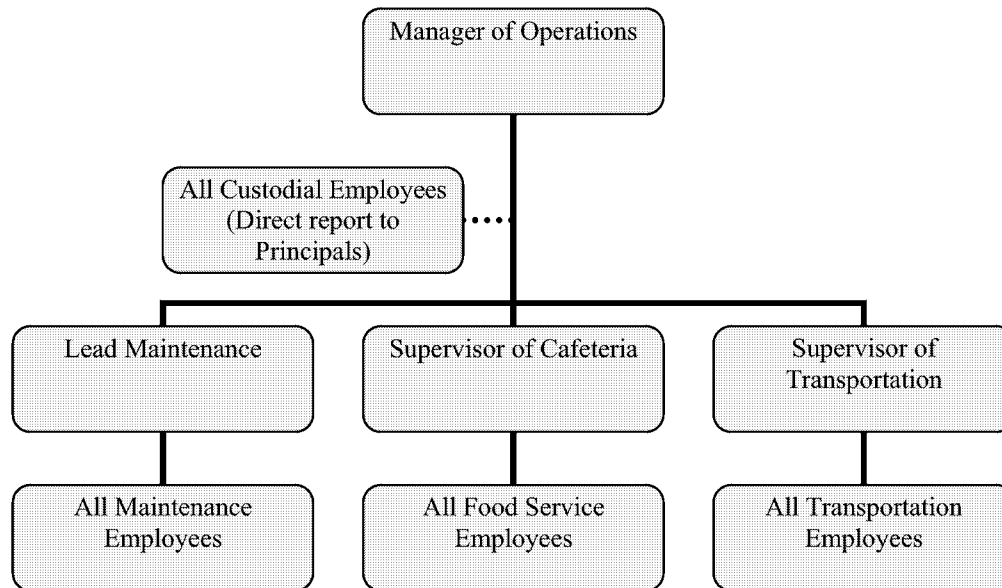
While Chardon LSD loosely identifies and communicates performance standards and expected outcomes to staff through job descriptions and performance appraisals, it has not formally identified or communicated performance standards and expected outcomes to maintenance and custodial staff. More specifically, the District has not established and implemented performance standards to ensure optimal performance and efficiency, and does not use industry benchmarks to measure efficiency. This prevents the District from objectively evaluating staff performance and fosters varying interpretations of adequate performance by staff and building principals. In addition, the District cannot ensure that all schools are cleaned and maintained according to the same standards.

Office of Program Policy Analysis and Government Accountability (OPPAGA) *Best Practices Indicators (2002)* recommends that performance standards for commonly repeated tasks should be established by districts. The performance standards should be based on internal reviews or available benchmarks for industry practices. Once established, performance standards can be used to assign work, review completed assignments, and prepare annual performance appraisals. OPPAGA also suggests that maintenance and operations departments use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each program and assist in management decision making. Additionally, the NCES *Planning Guide for Maintaining School Facilities* (February 2003) states that in order to assess staff productivity and ensure that all schools are maintained equitably, districts must establish performance standards and evaluation criteria. This publication also contains suggested guidelines for custodial and grounds staffing based on square footage and acres (see **Table 4-2** and **R4.1**). Furthermore, American School and University (AS&U) annually publishes the results of a national maintenance and operating (M&O) cost study survey (April 2005), which contains data on cost per square foot and staffing levels based on square footage and acres (see **Tables 4-2, 4-4** and **4-5**).

R4.7   **Chardon LSD should review and update job descriptions for the Operations Department. Doing so would help to ensure that they more accurately reflect the current working environment and help clarify job responsibilities (for additional discussion see the human resources section).**

Chart 4-1 shows the organizational structure of the Operations Department.

Chart 4-1 Chardon LSD Operations Department Organizational Chart

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                          ┌──────────────────────┐
                          │ Manager of Operations │
                          └──────────────────────┘
                                     │
         ┌─────────────────────┐     │
         │ All Custodial Employees │ ···
         │   (Direct report to    │
         │      Principals)       │
         └─────────────────────┘
      ┌──────────────┬──────────────┬──────────────┐
┌───────────────┐ ┌────────────────────┐ ┌──────────────────┐
│ Lead Maintenance │ │ Supervisor of Cafeteria │ │   Supervisor of   │
│                  │ │                    │ │  Transportation   │
└───────────────┘ └────────────────────┘ └──────────────────┘
        │                   │                     │
┌───────────────┐ ┌────────────────────┐ ┌──────────────────┐
│ All Maintenance  │ │  All Food Service  │ │ All Transportation │
│   Employees      │ │     Employees      │ │     Employees      │
└───────────────┘ └────────────────────┘ └──────────────────┘
```

As illustrated in **Chart 4-1**, the Manager of Operations is responsible for the supervision of custodians, maintenance, food service, and transportation personnel. The Manager of Operations works with the Superintendent, Treasurer, and building principals to provide oversight of custodians in the District.

Due, in part, to the fact that the Manager of Operation oversees several areas within Chardon LSD, job descriptions have not been updated since 1996. As the job descriptions have not kept pace with changes in job responsibilities, they do not match actual and current job responsibilities. Additionally, custodial job descriptions do not distinguish between the varying responsibilities for 1st, 2nd, and 3rd shifts.

The NCES *Planning Guide for Maintaining School Facilities* (2003) states that a good job description accurately identifies the knowledge, skills, and abilities needed by an individual to meet the expectations of the job. Components of a job description include: duties and responsibilities; working conditions; physical requirements; educational requirements; credentials and licensure; equipment used; at-will versus unionized position; channels of authority; and evaluation mechanisms. In contrast, Chardon LSD's job descriptions lack working conditions and a list of potential equipment a custodial or maintenance employee would use. In addition, the job descriptions state who will do a performance evaluation, but does not describe how performance will be measured.

Energy Management

R4.8   Chardon LSD should develop a formal energy management program that includes detailed energy policies, and other energy efficient practices.   The energy management program should define broad cost and performance objectives and should be visible to the District's administration, the Board of Education, District staff, students, and the community.   Program objectives and progress should be reported periodically.   Lastly, Chardon LSD should communicate with and train its staff about the energy management program.

The District is part of a purchasing consortium for gas and electricity. Gas and electricity is purchased using the Energy for Education Program through the Ohio Schools Council (OSC). These contracts are renewed on an annual basis. The District also has an energy management control system, which provides automatic notification in the case of flame/boiler failure, and controls the standard heating and cooling temperatures at 68 and 78 degrees, respectively. The system provides automatic nightly set backs to 60 degrees. Only certain District staff members are provided with override authorization.

Despite the implementation of these energy management practices, **Table 4-4** shows that Chardon LSD's utility costs per square foot are above the AS&U medians. Currently, the District does not have energy management policies in place, and has not developed a formal energy management program.

The U.S. Department of Energy's Energy Smart Schools website: http://www.energysmartschools.gov/   offers   numerous   publications   on   energy conservation practices, including the August 2004 document: *School Operations and Maintenance: Best Practices for Controlling Energy Costs – A Guidebook for K-12 School System Business Officers and Facilities Managers,* prepared by Princeton Energy Resources International, HPowell Energy Associates, and the Alliance to Save Energy. This 130 page guidebook provides detailed and practical guidance on how K-12 school districts can plan and implement enhancements to their current operations and maintenance (O&M) programs to successfully maintain their facilities while also reducing energy costs by up to 20 percent. Most of the energy management strategies detailed in the Guidebook entail limited capital costs and in most cases, produce rapid paybacks of less than two years. Energy-efficient O&M program options include: energy tracking and accounting, voluntary energy awareness, performance contracting, and quick and low-cost strategies such as:

- Repairing window and door glass and using weather-stripping;
- Reducing excessive lighting levels by careful delamping;
- Cleaning and repairing chilled water plants or package units;
- Conducting combustion testing and boiler tune-ups;

- Repairing leaking steam traps;
- Repairing pipe and vessel insulation for steam and hot water distribution lines;
- Instituting night and weekend temperature setbacks;
- Eliminating 24/7 operation of exhaust fans and vending machines;
- Replacing all incandescent light bulbs with equivalent compact fluorescent bulbs;
- Establishing district-wide vacation shut down procedures; and
- Repairing malfunctioning dampers on unit ventilators.

According to the above guide book, a district should be cognizant of the following factors when implementing a successful energy conservation program:

- The program and program managers must be visible to the Superintendent, School Board, and other staff, and program objectives and progress should be reported periodically.
- Energy savings are not immediate, but develop over time.
- Distribution of school-specific information to building staff is essential.
- Problems must be recognized and improvements made to ensure success of the program.
- External support is vital.
- A detailed energy policy should provide guidelines for the program and define broad cost and performance objectives.

According to the NCES, the following guidelines will help a school district be more energy-efficient:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the district's energy management program, and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting (i.e., contracts requiring desired results rather than simply a list of needed products) when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment, including power factor correction units, electronic ballast, high-efficient lamps, night setbacks, and variable-speed drives for large motors and pumps; and
- Install motion detectors that turn lights on when a room is occupied (and off when the room is unoccupied).

The School District Energy Manual also recommends the following energy saving techniques:

- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate;
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures;
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat;
- Maintaining thermostat settings at 78 degrees for cooling and 65-68 degrees for heating (with minor adjustments for kindergarten and special education rooms);
- Encouraging staff, faculty and students to use blinds as a means of controlling temperature;
- Closing blinds on the south and west sides of buildings keeps them cool in the summer, and opening blinds helps warm the buildings in the winter on sunny days; and
- Developing policies that indicate water should not be kept running in the restrooms.

By implementing a formal energy management program and accompanying energy-efficient policies and practices from the sources noted above, the District could reduce its utility costs.

Financial Implication: Based on the total utility expenditures of approximately $572,655 in FY 2004-05, and assuming that the District could reduce costs by 10 percent, the mid-point of the potential cost reduction range suggested by the *School Operations and Maintenance* guidebook, Chardon LSD could save approximately $57,000 annually. This would reduce its utility expenditures per square foot to $1.46, which is still higher than the respective AS&U national and similar-sized district medians of $1.35 and $1.36.

Planning

R4.9   Chardon LSD should use the Ohio School Facilities Commission report as a starting point to initiate an audit of its facilities.   The District should annually audit its facilities to ensure accurate and appropriate levels of inventory and to provide information for short- and long-term decisions, including the appropriate time to replace aging equipment.

The Ohio School Facilities Commission (OSFC) report published in April 2001 analyzed the condition of all District facilities including buildings, mechanical equipment, capacity, and utilization. However, the report has not been updated except for the enrollment projections in the demographic study done by Fanning/Howey Associates, Inc

in 2004, nor has the District conducted a subsequent audit of its facilities. As a result, the District does not have an up-to-date assessment of its facilities, which inhibits it from identifying problems and proposed solutions. In addition, buildings and equipment change over their life. As physical assets age, the lack of a current condition assessment increases the risk of making uninformed decisions related to maintenance and replacement.

According to the NCES *Planning Guide for Maintaining School Facilities* (February 2003), a facility audit is a comprehensive review of the District's assets. The audits are a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. Facility audits are important because they help planners, managers, and staffs know what facility infrastructure has changed, its condition, service history, maintenance needs, and location. The audits rely on facts, not guesswork, to establish plans for maintaining and improving school facilities, and allow in depth analyses of product life cycles to occur on a routine basis, measuring actual life versus expected life. When conducting these audits, data should be collected on all buildings, grounds, and equipment at all sites, and should include both permanent and temporary features. NCES further states that once initiated, audits must be performed on a regular basis (e.g., annually) because conditions change constantly. If facility audit reviews are an ongoing feature of maintenance management, each year's data can inform the process and make the next year's audit task easier.

R4.10 **Chardon LSD should develop a comprehensive facility master plan using the plan developed by OSFC and the District's own strategic plan as a foundation, after updating those plans to reflect current conditions. The District should also obtain input from appropriate school personnel and the community. A facility master plan should be updated periodically to incorporate improvements that have been made, the results of annual audits (see R4.9), changes in demographics, and other educational factors. The facility master plan should contain information on capital improvements and financing (see R4.11), preventive maintenance (see R4.4), overall safety and condition of the buildings, enrollment projections (see R4.12) and capacity analysis (see R4.13).**

In April 2001, the Ohio School Facilities Commission completed an assessment report and master plan study of Chardon LSD. The plan included a 10-year enrollment projection, a detailed assessment of the condition and needs of the District's buildings, and recommendations for the District. Furthermore, Chardon LSD has a five-year strategic plan (FY 2001-2006). The facility-related goals in the strategic plan include the following:

- Secure funds to update and maximize educational facilities;
- Modify the existing schools to accommodate a proposed K–3, 4–5 and 6–8 configuration;
- Maximize the current use of facilities
- Improve the landscaping of the grounds at each facility;
- Improve handicapped accessibility in all building to approach current Americans with Disabilities Act (ADA) standards; and
- Operationalize the educational plans that have been researched and drafted for the 9–12 building.

While the District has the OSFC facilities plan and a strategic plan, it has not used the information from these resources to craft a comprehensive facilities master plan. The OSFC plan is outdated and the District has not implemented the recommendations it contains. In addition, the District's strategic plan only runs to FY 2006 and will soon become outdated as well. The lack of an updated comprehensive master plan makes it more difficult for the District to identify, budget and forecast the needs of its facilities

In School Management and Planning, *Creating a Successful Facility Master Plan* by DeJong and Staskiewicz, July 2001, a step by step method for facilities planning is outlined. A district-wide facility master plan is typically a 10-year plan. The plan should be developed on a foundation of sound data and community input. It should be a road map for addressing facility needs. The following items are suggestions for crafting effective master plans:

- The plan should clearly state what buildings are going to be kept, which should be discontinued, which are going to be renovated and what new buildings are going to be built.

- The facility master plan should specify the projects that have been identified, the timing and sequencing of the projects, and their estimated cost.

- The plan should be the convergence of the condition of existing facilities, the desired educational program, the demography of the district and a vision of the future.

- A facility master plan should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions.

- The plan should be used as an opportunity for a community to come together to determine how educational facilities can be an impetus for change and improvement. It requires the collaboration of educators, administrators, policy makers, community members and facility experts.

According to DeJong and Staskiewicz, a district should develop a database that will provide a "community/school profile and will be used to develop the facility master plan." The elements suggested for inclusion in the database and subsequent plan are as follows:

- Historical and projected enrollment;
- Demographic profile of the community/school district;
- A facility inventory: condition and educational adequacy assessment of school facilities;
- Capacity analysis;
- Educational programs;
- Academic achievement; and
- Financial and tax information.

R4.11 Chardon LSD should develop a five-year capital improvement plan. Once developed, the District should ensure that the capital improvement plan is included in its updated strategic plan and comprehensive facilities master plan (see R4.10). The capital improvement plan should be reviewed on an annual basis to facilitate the completion of the most critical repair work and/or equipment replacement. An up-to-date capital improvement plan will help to demonstrate fiscal responsibility to the citizens of the District, and anticipate equipment repairs and replacements. By planning ahead, project financing sources can be identified and secured before they are needed, helping to eliminate the significant affect of unforeseen costs on the District's finances. Furthermore, the Board should work with District administration to develop policies designed to help guide decisions about capital acquisition, maintenance, replacement, and retirement. Such policies should be consistent with, and encompassed in, the capital improvement plan.

According to the Manager of Operations, the maintenance staff performs preventive and daily maintenance on major and minor equipment and facilities. However, the District does not have a formal capital improvement plan in place to address maintenance and capital needs other than the Ohio School Facilities Commission (OSFC) report published in April 2001. Additionally, the District does not have policies for capital asset acquisition, maintenance, replacement, and retirement.

According to the GFOA, a process should exist for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and should be fully integrated into the government's overall financial plan. The capital improvement plan should also be included in a budget document, either in a single document describing both the operating and capital budgets or in a separate document describing the capital

improvement plan and capital budget. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing projects and review. Once developed, GFOA further recommends that districts have the capital plan be approved by the governing body.

GFOA also recommends that governments adopt policies for capital asset acquisition, maintenance, replacement, and retirement. Policies could address inventorying capital assets and evaluating their condition; the criteria for acceptable condition and for decision-making related to continued maintenance versus replacement or retirement of an existing asset; and identification of funding for adequate maintenance and scheduled replacement of capital assets. These policies provide a basis for developing long-range capital plans.

The Chicago Public Schools (CPS) Capital Improvement Plan (CIP) includes the following:

- An inventory and audit of existing facilities;
- Prioritized capital needs that include stabilizing existing structures that were not planned to be replaced; and
- Results of investigations into alternative funding sources.

The development of the Chicago Public School's CIP included an open and straightforward public decision-making process. Public communication of CIP plans included stakeholders in decisions about the availability of funds, project timelines, and costs. This process helped ensure that critical priorities were funded while building the public-private coalitions necessary to ensure the commitment of State and Federal capital funding. CPS holds annual public hearings on the CIP.

In order to ensure that the CIP is as fair and efficient as possible, CPS publicizes and discusses the following:

- Building assessments for each school facility;
- Demographic predictions for enrollment growth;
- Planned improvements and their costs;
- Estimated costs for each type of project;
- Projects that were eliminated or delayed; and
- District funding to support planned capital expenditures.

In the absence of a five-year capital improvement plan, the District could have difficulty anticipating needed facility and equipment repairs and replacements, and may overlook the identification and securing of related financing resources.

R4.12 Because enrollment projections are a valuable planning tool and the District is experiencing an increase in its student population, Chardon LSD should continually review its actual and projected enrollment, and revise the projections each year. The District should use the enrollment projections to help project future state funding allocations and other related items in its financial forecasts; determine the number of teachers needed to accommodate any increase in enrollment; and evaluate building usage and capacity (see R4.13).

In 2001, DeJong & Associates, Inc. developed Chardon LSD's enrollment projection as part of the OSFC Facilities Assessment Report. The District does not use enrollment projections, capacity analyses and facility utilization assessments beyond those prepared by OSFC in April 2001 and updated by Fanning/Howey Associates, Inc. in a 2004 demographic study (see **R4.13** for a capacity analysis). Those projections were developed by analyzing the 1990 and 2000 census data; post census population; household data such as new starts and sale of existing homes; land use zoning; a series of meetings with key people throughout the District; live birth data; mortality data; historical enrollment; and net change in student enrollment per real estate transaction.

A high level projection using the cohort survival method was developed by AOS. This method assumes that the rate of progression from one grade to the next (and also the ratio of the number of births to the number of kindergarten students five years later) will be consistent with rates of progression in previous years. The main assumption of this technique is that past enrollment patterns will continue into the future. According to *Planning and Managing School Facilities* (Second Edition, 2002) by Theodore J. Kowalski, the cohort-survival ratio method is the most widely used projection method due to its relative simplicity and short-term accuracy. This publication also indicates that due to the lack of convincing evidence proving that regression techniques are the best for projecting enrollment, school officials have relied on simpler projection techniques including the cohort survival method.

Table 4-7 presents the AOS and Fannie/Howey enrollment projections, and shows the difference between the two projections.

Table 4-7: Comparison of Enrollment Projections

Fiscal Year	Fanning/ Howey Associates	AOS	Difference
2005	3,337	N/A	N/A
2006	3,376	3,346	30
2007	3,412	3,379	33
2008	3,447	3,429	18
2009	3,481	3,452	29
2010	3,515	3,519	(4)
Total Difference			**106**

Source: AOS and Fanning/Howey

Table 4-7 demonstrates that both methods project an increase in enrollment. The differences between the two projection methods total 106 students over the five year period, or approximately 21 students per year. However, the Fanning/Howey enrollment projection of 3,337 students for FY 2005 and 3,376 in FY 2006 were slightly higher than the actual enrollment of 3,293 in FY 2005 and 3,327 in FY 2006. From FY 2001 to FY 2006, the District's enrollment increased each year at an average of approximately 46 students per year.

R4.13 Chardon LSD should use a methodology, approved by the Board of Education, for determining capacity and utilization that incorporates all available classroom space. Building capacity and utilization should be reviewed and updated periodically, particularly when a change in building structure or educational philosophy occurs. This should occur in conjunction with updates in enrollment projections (see R4.12) to determine the appropriate number of school buildings and classrooms needed to house the current and projected student population. The District should closely monitor its building utilization rates along with changes in enrollment and take appropriate measures (e.g., building and classroom reconfigurations, new buildings, additions to current buildings, etc.) to ensure it has sufficient space to house its student population. To help identify appropriate measures, Chardon LSD should consider establishing a formal committee comprised of internal and external stakeholders. Furthermore, this information should be used in developing the facilities master plan (See R4.10).

Table 4-8 compares the current school building capacities to the FY 2005-06 student head count to determine the building utilization rate. AOS calculated the buildings' capacities using a standard methodology often employed by educational planners reported in the article *Defining Capacity* by William DeJong and Joyce Craig (1999). More specifically, the capacities for all elementary school buildings were calculated by multiplying the number of regular classrooms by 25 students, half-day kindergarten rooms by 50 students and self-contained special education rooms by 9 students (based on an average of the student maximums expressed in ORC § 3301-51-09) to arrive at the total capacity for the building. Rooms used for gym, art, music, cafeteria, non-self contained special education rooms, resource rooms, libraries, special programs and computer labs are referred to as set-asides and excluded from the number of rooms used in the calculation. The capacity in the middle and senior high schools was calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor.

Table 4-8: FY 2004-05 Building Capacity and Utilization Rates

Building	Building Capacity	FY 2004-05 Head Count	Over/(Under) Capacity	Building Utilization Rate
Hambden Elementary	300	289	(11)	96%
Maple Elementary	343	294	(49)	86%
Munson Elementary	475	416	(59)	88%
Park Elementary	409	347	(62)	85%
Elementary Total	1,527	1,346	(181)	88%
Middle School Total	730	776	46	106%
High School Total	1,105	1,143	38	103%
District Total	3,362	3,265	(97)	97%

Source: Elementary, Middle and High schools from FY 2004-05 ODE EMIS Report Enroll 2005K.
Note: Modular units are used for offices and resource teaching, and therefore are not used in calculating building capacity.

As illustrated in **Table 4-8,** the elementary schools have an overall utilization rate of 88 percent and are under capacity by 181 students. Hambden elementary school is operating at a significantly higher utilization rate than the other elementary schools and is under capacity by only 11 students. **Table 4-8** also illustrates that the middle school and high school are operating over-capacity by 46 and 38 students, respectively. Assuming that enrollment continues to increase in the future (see **R4.12**), the District will also exceed the capacity of its current elementary buildings.

The Northshore School District in Bothell, Washington is experiencing rapid growth in the northern part of the district and has formed a group called the Enrollment Demographics Task Force to help monitor the growth and its impact on district schools. Its mission is to "provide continuous review and planning to make the most efficient use of existing sites and maximize educational opportunities for all students." Membership in the task force includes district staff and administration, a Board of Education liaison, and parents. The Task Force is currently focusing on attendance balancing and boundary adjustments, and will not issue a final recommendation to the School Board until Fall of 2006, with the earliest implementation being Fall of 2007. The Task Force is also reviewing current building capacity, room utilization and future enrollment projections. By forming a similar group, Chardon LSD would be in a better position to carefully review options, such as grade, building, and classroom reconfigurations; additions to current buildings; and construction of new buildings, to ensure it has sufficient space to accommodate its future student enrollment.

R4.14 Chardon LSD should implement an annual customer feedback system to identify and implement program improvements for the Operations Department. This would also show customers that the Operations Departments values their input and feedback. The District should review the survey administered by AOS (see appendix 4A) and begin to address problem areas. Chardon LSD could use the

AOS survey to help in developing a more customized and detailed future survey of its maintenance and custodial operations. As the District administers subsequent surveys, it should track progress in addressing the issues identified in them.

The Operations Department does not have a customer feedback system designed to identify customer perceptions, and recognize and implement necessary program improvements. However, the Department tries to communicate with principals, teachers and administrators through:

- Interviews/visits with principals;
- Conversations with operations employees in each building;
- Sharing information concerning work to be done or work that has been done;
- E-mail correspondence with teachers and principals; and
- Phone conversations.

According to OPPAGA, operations department customers should be surveyed at least annually to determine strengths and weaknesses of the department's long-term goals. It recommends the following steps when implementing a customer feedback system:

- Develop an instrument for surveying various stakeholders regarding their satisfaction. The survey should include questions relating to quality and timeliness of services, work order completion times, quality of work, overall appearance and cleanliness, and professionalism of employees in the operations department. Principals, teachers, students, parents, community members, and operations employees (customers) should provide input for use in developing the survey.

- Conduct the survey at least annually and analyze the responses.

- Use results to evaluate the effectiveness of the maintenance program and make needed improvements.

- Report results to the superintendent and the school board.

OPPAGA suggests developing three surveys: one each for district employees, students, and parents/general public. Survey questions should be brief with areas for comments.

AOS administered an employee survey to obtain feedback and perceptions concerning custodial and maintenance services. One hundred and fifty-five (155) employees completed the survey. **Appendix 4A** at the end of this section presents the complete survey results. The following highlights key points from the survey:

- **Overall Satisfaction:** 63 and 58 percent of respondents are overall satisfied with the maintenance and custodial departments, respectively, with 15 and 24 percent not being satisfied.

- **Cleanliness and Custodial Efficiency:** Only 46 percent of respondents agreed that facilities are properly cleaned, with 33 percent of respondents disagreeing. Likewise, 32 percent of respondents indicated that custodial tasks are not completed efficiently, while 50 percent felt they were completed efficiently. These responses could partially explain the higher percentage of respondents not being satisfied with the custodial department.

- **Work Order Timeliness:** Only 46 percent of respondents agreed that work orders are completed in a timely manner, with 28 percent disagreeing. Based on the survey results, this is the primary factor likely impacting the dissatisfaction responses for the maintenance department.

- **Safety:** 80 percent of respondents said that workers are careful near children, with only 2 percent disagreeing.

- **Emergencies:** 59 percent of respondents agreed that emergency work orders are given top priority, with only 5 percent disagreeing.

Survey results, while reflecting District employee opinions, can be used to help identify areas that should be reviewed for improvement. Furthermore, formalizing custodial and maintenance procedures (see **R4.5**), developing performance standards (see **R4.6**), using peer and industry benchmarks to objectively measure operations (see **R4.6**), and purchasing a CMMS (see **R4.4**) could help address the issues noted above from the AOS survey.

Training

R4.15 Chardon LSD should develop formal written procedures for new employee orientation based on the training suggested by NCES and include these procedures in the procedure manual discussed in R4.5. Additionally, the District should include new employee training responsibilities with the appropriate position(s) when updating the job descriptions (see R4.7). Although the Operations Department has not had a significant need for new employee training, implementing these measures would better ensure that new employees are provided with the necessary information to perform their assigned duties.

The Operations Department has not hired a new employee since 1991, except for a custodial substitute who had already been trained. New employees are orientated by the

Manager of Operations and the principal of the assigned school building. A head custodian is responsible for training and supervising the new employee on daily tasks. However, a review of the job descriptions for the positions of head custodian, principal, maintenance lead, and manager of operations reveals that no positions have been assigned the responsibility for new employee training.

The NCES *Planning Guide for Maintaining School Facilities* (2003) recommends newly hired personnel receive the following types of training as soon as possible after joining the organization:

- *Orientation (or tour) of the organization's facilities* – including the payroll division, emergency locations (such as the nurse's office), the cafeteria, and the supervisor's office.

- *Orientation (or tour) of the person's work area* – including the primary location where he or she reports to work and all areas where he or she might be expected to perform job-related tasks (e.g., a plumber should be shown the organization's plumbing headquarters and all campuses he or she will be servicing).

- *Equipment instructions* – including an introduction to all tools, machinery, and vehicles the individual will be expected to use (e.g., industrial floor sweepers, lawn cutting equipment, power tools, and district trucks).

- *Task-oriented lessons* – including instructions on how to best perform the individual's work tasks (e.g., how to clean a carpet, repair a roof, or service a school bus).

- *Expectations* – including a clear description of precisely what the individual must do to meet the requirements of the job (what, where, when, and to what extent).

- *Evaluation information* – including an explanation of all criteria on which the individual will be evaluated, such as the tasks that will be evaluated, all relevant performance standards and expectations, who will do the evaluating, what mechanisms will be used to perform the evaluations (e.g., random checks or daily assessments), and the potential ramifications of the evaluations.

R4.16 Chardon LSD should consistently plan and implement ongoing training programs for custodial and maintenance employees. The District should also consider negotiating training into vendor contracts, where appropriate, so that vendors provide necessary training. Training helps to promote a thorough and up-to-date understanding of standards and procedures to be used by District employees.

The District does not routinely plan and implement training programs on standard and routine procedures. The NCES *Planning Guide for Maintaining School Facilities* (2003) reports that preparing staff to get their work done properly, efficiently, and safely is cost-effective in the long run, and managers need to have the wisdom to balance the competing concerns.

The Association of School Business Officials International (ASBOI) recommends a regular program for custodial and maintenance staff training as a matter of district policy. Professional growth should play a vital role in the District's staff retention strategies. In addition to initial training for new staff, special training will be needed as new products, equipment, and techniques become available. It will not benefit the district if staff members are given a new product to use without providing training on the use of that product. Sending staff to new product and equipment workshops should be encouraged.

In addition, the National Education Association, in an article entitled *Getting Educated: Custodial and Maintenance Professionals*, recommends training that includes some of the following elements:

- Building security, including neighborhood watch programs.
- Asbestos training, including information about state and federal regulations pertaining to the handling and removal of such material.
- Blood-borne pathogen training, including the potential risks of blood and human waste cleanups. This should include information about the Blood-borne Pathogen Standard drafted by the U.S. Occupational Safety Health Administration.
- Hazardous equipment, including how to operate all machinery.
- Hazardous chemicals, including extensive training in the use of cleaning chemicals to reduce injuries.
- Ergonomics, including how to properly lift to avoid back injury and information about new cleaning tools and products that can minimize strain.
- Time management, including how workers can prioritize their tasks so that they can accomplish them efficiently and effectively.

While the District does provide some employee training, the training seems to be inconsistent and not documented. Lack of consistent and documented training on new procedures, equipment, or supplies, does not provide the best opportunity for employees to perform their tasks. Since the District does not have a designated human resources position, the operations manager and other administrative staff must perform human resources functions within their respective departments (see **human resources** section).

According to NCES, planners should be open to considering the benefits of developing "general" skills in their staff. Proven methods of offering training to custodial and maintenance staff during difficult budget times include:

- Sharing training costs with other organizations on a collaborative basis (e.g., training may be sponsored by several neighboring school districts or jointly by the school facilities department and the public works department in the same community).

- Hiring expert staff or consultants to provide on-site supervision during which they actively help staff improve their skills while still on-the-job.

- Developing training facilities, such as a custodial training room in which equipment (e.g., vacuums) and techniques (e.g., mopping) can be demonstrated and practiced. Providing this type of training will pay for itself in more efficient and better work from the trainee. Larger school districts, which are more likely to find such specialized facilities to be worth the investment, can do a good deed (and generate goodwill) by hosting training events for smaller districts in the area.

- Offering tuition reimbursement programs which provide educational opportunities to staff who might not otherwise be motivated to improve their knowledge and skills.

Financial Implications Summary

The following table lists annual cost savings and one time implementation costs for recommendations contained in this section of the report. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings	One Time Implementation Cost
R4.1 Reduce 5.0 custodial FTEs	$210,000	
R4.2 Improve the process and strengthen policies for purchasing supplies and materials	$60,000	
R4.3 Reduce overtime costs by addressing collective bargaining provisions, staggering schedules, and monitoring sick leave use	$35,000	
R4.4 Purchase a computerized maintenance management system		$19,600
R4.5 Purchase a custodial methods and procedures manual		$60
R4.8 Develop a formal energy management program	$57,000	
Total Financial Implications	**$362,000**	**$19,660**

Source: AOS Recommendations

Appendix 4-A: Employee Survey Responses

AOS administered an employee survey of Chardon LSD to obtain employee feedback and perceptions concerning custodial and maintenance services. One hundred and fifty-five (155) employees completed the survey. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 4-18** illustrates the results.

Table 4-18: AOS Facilities Survey Results

Survey Questions	Chardon LSD Results
1) Work orders are responded to in a timely manner.	
1) Strongly Disagree	5%
2) Disagree	23%
3) Neutral/Not Sure	19%
4) Agree	**34%**
5) Strongly Agree	12%
2) Custodial and maintenance employees deliver quality services.	
1) Strongly Disagree	4%
2) Disagree	20%
3) Neutral/Not Sure	25%
4) Agree	**37%**
5) Strongly Agree	13%
3) Emergency work orders are given top priority.	
1) Strongly Disagree	0%
2) Disagree	5%
3) Neutral/Not Sure	16%
4) Agree	**38%**
5) Strongly Agree	21%
4) Schools are notified in advance of work to be performed.	
1) Strongly Disagree	2%
2) Disagree	12%
3) Neutral/Not Sure	**25%**
4) Agree	**25%**
5) Strongly Agree	6%
5) Schools are advised of incomplete work orders.	
1) Strongly Disagree	3%
2) Disagree	15%
3) Neutral/Not Sure	**25%**
4) Agree	14%
5) Strongly Agree	4%
6) Work is scheduled so it is not disruptive.	
1) Strongly Disagree	8%
2) Disagree	16%
3) Neutral/Not Sure	16%
4) Agree	**38%**
5) Strongly Agree	12%

Survey Questions	Chardon LSD Results
7) Workers are careful near children.	
1) Strongly Disagree	1%
2) Disagree	1%
3) Neutral/Not Sure	8%
4) Agree	**54%**
5) Strongly Agree	26%
8) Overall, I am satisfied with the maintenance department.	
1) Strongly Disagree	3%
2) Disagree	12%
3) Neutral/Not Sure	21%
4) Agree	**47%**
5) Strongly Agree.	16%
9) The regular cleaning schedule appears to be appropriate.	
1) Strongly Disagree	8%
2) Disagree	18%
3) Neutral/Not Sure	17%
4) Agree	**46%**
5) Strongly Agree.	8%
10) Custodial tasks are completed efficiently.	
1) Strongly Disagree	9%
2) Disagree	23%
3) Neutral/Not Sure	14%
4) Agree	**40%**
5) Strongly Agree.	10%
11) Facilities are properly cleaned.	
1) Strongly Disagree	8%
2) Disagree	25%
3) Neutral/Not Sure	18%
4) Agree	**38%**
5) Strongly Agree	8%
12) Custodians are polite and have a good work ethic and attitude.	
1) Strongly Disagree	5%
2) Disagree	18%
3) Neutral/Not Sure	20%
4) Agree	**38%**
5) Strongly Agree	18%
13) There appears to be a sufficient number of custodians in my building.	
1) Strongly Disagree	8%
2) Disagree	22%
3) Neutral/Not Sure	13%
4) Agree	**37%**
5) Strongly Agree	19%
14) School grounds are properly maintained.	
1) Strongly Disagree	5%
2) Disagree	13%
3) Neutral/Not Sure	18%
4) Agree	**47%**
5) Strongly Agree	17%

15) Custodial staff cooperates with other staff regarding safety of equipment on school grounds.	
1) Strongly Disagree	3%
2) Disagree	5%
3) Neutral/Not Sure	18%
4) Agree	**47%**
5) Strongly Agree	20%
16) Work appears to be scheduled according to priorities.	
1) Strongly Disagree	3%
2) Disagree	8%
3) Neutral/Not Sure	19%
4) Agree	**40%**
5) Strongly Agree	18%
17) Workers show respect for school property.	
1) Strongly Disagree	3%
2) Disagree	4%
3) Neutral/Not Sure	13%
4) Agree	**55%**
5) Strongly Agree	23%
18) Playground equipment is properly maintained.	
1) Strongly Disagree	1%
2) Disagree	0%
3) Neutral/Not Sure	21%
4) Agree	**27%**
5) Strongly Agree	15%
19) Overall, I am satisfied with the custodial staff's work.	
1) Strongly Disagree	6%
2) Disagree	18%
3) Neutral/Not Sure	17%
4) Agree	**44%**
5) Strongly Agree	14%

Note: Because some individuals did not respond to all questions, survey percentages will not add up to 100 percent

Food Services

Background

This section focuses on food service operations in the Chardon Local School District (Chardon LSD or District). The objective is to analyze the current and future financial condition of the Food Service Department, develop recommendations for improvements in processes, and identify opportunities to increase efficiency. The District's operations are evaluated against peer school districts, which included Anthony Wayne Local School District (Anthony Wayne LSD), Canfield Local School District (Canfield LSD), and Highland Local School District (Highland LSD). Recommended practices and standards from applicable sources, including the National Food Service Management Institute and the Government Finance Officers Association, were also used for comparison purposes.

Organizational Structure and Function

The Food Service Supervisor (FSS) oversees the District's food service operations, creates menus and orders all supplies. One full-time equivalent (FTE) head cook oversees the centrally prepared meals at the high school and then helps serve the meals. Eleven kitchen assistant positions work in the high school cafeteria under the head cook to prepare meals in the morning, and then drive to their designated schools to serve the meals. One lead kitchen assistant position at each school is responsible for filling out and forwarding to the FSS a production sheet that details the number of meals served. In addition, the District employs six cafeteria monitor positions. Three of these positions have the sole responsibility of supervising student behavior during lunch periods. The other three monitor positions divide their time between cashier responsibilities (50 percent) and student supervisor responsibilities (50 percent). All employees report directly to the Head Cook at the high school, or a lead kitchen assistant at the middle school or elementary schools.

Table 5-1 shows the current building level staffing for the District's six school buildings.

Table 5-1: FY 2005-2006 Chardon LSD Food Service Staffing Levels

Building Food Service Staffing Levels with Monitor Function		
School	**Total Positions / Building**	**Total Daily Labor Hours per Building**
Chardon High	14	48.75
Chardon Middle	7	24.25
Park Elementary	3	9.25
Munson Elementary	3	8.75
Maple Elementary	3	9.25
Hambden Elementary	3	7.83
Totals	**33**	**108.08**
Building Food Service Staffing Levels without Monitor Function		
School	**Total Positions / Building**	**Total Daily Labor Hours per Building**
Chardon High	14	48.75
Chardon Middle	5	20.25
Park Elementary	3	7.88
Munson Elementary	3	7.38
Maple Elementary	3	7.88
Hambden Elementary	2	6.50
Totals	**30**	**98.63**

Source: Food Service Supervisor

As illustrated in **Table 5-1**, the District employs 33 food service positions working a total of 108.08 labor hours each day. However, when excluding the time spent by monitors (9.46 daily labor hours) supervising student behavior during lunch periods, the Food Service Department consists of 30 positions, working a total of 98.63 labor hours each day, that are directly related to food service operations.

Financial Condition

Food service is organized in the District as an enterprise operation. The operation is intended to function in a manner similar to a private sector business, relying on charges for services to support the costs of operation. However, Chardon LSD's Food Service Department is not a self supporting operation. **Table 5-2** illustrates the District's expenditure history from its 4502 reports for FY 2002-03, FY 2003-04, and FY 2004-05.

Table 5-2: Chardon LSD Food Service Fund FY 2002-03 through FY 2004-05

Financial Report Categories	FY 2002-03 Total	Percent of Total	FY 2003-04 Total	Percent of Total	FY 2004-05 Total	Percent of Total
Student Charges	$593,858	83.18%	$609,451	82.14%	$615,146	82.87%
Miscellaneous	$9,596	1.34%	$8,326	1.12%	$7,525	1.01%
State Grants-in-Aid	$3,702	0.52%	$4,697	0.63%	$4,504	0.61%
Federal Grants-in-Aid	$106,803	14.96%	$119,472	16.10%	$115,154	15.51%
Total Revenue	**$713,959**	**100.00%**	**$741,945**	**100.00%**	**$742,329**	**100.00%**
Salaries	$324,555	41.68%	$338,274	41.44%	$356,529	42.20%
Retirement and Insurance	$114,399	14.69%	$140,280	17.18%	$144,362	17.09%
Purchased Services	$2,005	0.26%	$1,914	0.23%	$1,907	0.23%
Supplies and Materials	$337,394	43.33%	$335,211	41.06%	$341,423	40.41%
Capital Outlay	$256	0.03%	$695	0.09%	$699	0.08%
Total Expenditures	**$778,610**	**100.00%**	**$816,374**	**100.00%**	**$844,920**	**100.00%**
Revenues Over (Under) Expenses	**($64,650)**		**($74,429)**		**($102,591)**	
Net Transfers/ Advances	$40,000		$81,259		$96,225	
Beginning Fund Balance	**$31,417**		**$6,767**		**$13,597**	
Ending Fund Balance	**$6,767**		**$13,597**		**$7,231**	
Reserve for Encumbrances	**$0**		**$6,000**		**$381**	

Source: 4502 reports

Table 5-2 indicates that Food Service Fund expenditures exceeded revenues in each year at an increasing rate, thereby requiring the General Fund to subsidize food service operations. In addition, the District has not charged related utility and trash removal expenses to the Food Service Fund as these charges are not separated by function (see **R5.4**). This is illustrated by the Food Service Fund incurring approximately only $2,000 of purchased services for the last three years. All utility related expenditures for food services are charged to the General Fund. In addition, the District's five-year financial forecast appears to assume the General Fund will continue to subsidize the Food Service Fund every year for the next five years, although the specific amount of the annual subsidy is not specified (see the **financial systems** section for more information).

Table 5-2 also illustrates that total revenues and expenditures increased by 3.9 and 4.9 percent from FY 2002-03 to FY 2004-05. Explanations for significant variances between FY 2002-03 and FY 2003-04 are as follows:

- *Miscellaneous Revenue decreased by 13.2 percent:* Miscellaneous revenue includes vending revenue from commissions received by the District from Pepsi. The District disperses the commission to the Food Service Fund along with three other funds. The total vending commission dispersed to the food service fund decreased over $1,100 from FY 2002-03 to FY 2003-04, accounting for the 13.2 percent decrease.

- *State and Federal Grants-in-Aid increased by 26.9 percent and 11.9 percent, respectively:* The Food Service Department received an increased number of free and reduced lunch applications. The number of participants in the free and reduced programs allows the food service department to claim more reimbursement from both the State and Federal sources.

- *Retirement and Insurance increased 22.6 percent:* The increase in retirement expenditures in FY 2003-04 is due to the retirement of two food service employees and rising health care costs. The negotiated agreement calls for a retiring food service employee to be paid up to 30 days worth of wages upon leaving. Retirement payouts also include incentives for unused sick days. Additionally, the District is self insured for health care, and a majority of the increase in health care costs is absorbed by the District and not employees. See the **human resources** section for assessments of the District's retirement payouts, and health care benefits and costs).

Operating Statistics

Table 5-3 shows revenues and expenditures in FY 2004-05, based on the number of students and meals served, for Chardon LSD and the peers.

Table 5-3: Comparison of FY 2004-05 Food Service Fund Revenue and Expenditures – Per Student and Per Meal Ratios

	Chardon LSD	Highland LSD	Anthony Wayne LSD	Canfield LSD	Peer Average
Revenues per Student					
Total Operating Revenue	$186.80	$245.41	$204.48	$207.25	$219.05
Total Non-Operating Revenue	$38.62	$14.66	$27.14	$31.29	$24.36
Total Revenue per Student	**$225.43**	**$260.07**	**$231.62**	**$238.54**	**$243.41**
Expenditures per Student					
Salaries	$108.27	$100.65	$83.23	$72.22	$85.37
Fringe Benefits	$43.84	$48.04	$22.57	$37.13	$35.91
Purchased Services	$0.58	$1.09	$0.70	$1.85	$1.21
Supplies and Materials	$103.68	$112.40	$113.14	$102.81	$109.45
Capital Outlay	$0.21	$1.88	$9.83	$12.62	$8.11
Other	$0.00	$0.37	$0.73	$1.08	$0.73
Total Expenditure per Student	**$256.58**	**$264.44**	**$230.21**	**$227.70**	**$240.79**
Total Gain or (Loss) per Student	**($31.15)**	**($4.38)**	**$1.41**	**$10.83**	**$2.62**
Revenues per Meal Equivalent					
Total Operating Revenue	$2.40	$3.32	$2.31	$2.02	$2.55
Total Non-Operating Revenue	$0.50	$0.20	$0.31	$0.31	$0.27
Total Revenue per Meal	**$2.90**	**$3.52**	**$2.62**	**$2.33**	**$2.82**
Expenditures per Meal Equivalent					
Salaries	$1.39	$1.36	$0.94	$0.71	$1.00
Fringe Benefits	$0.56	$0.65	$0.26	$0.36	$0.42
Purchased Services	$0.01	$0.01	$0.01	$0.02	$0.01
Supplies and Materials	$1.33	$1.52	$1.28	$1.00	$1.27
Capital Outlay	$0.00	$0.03	$0.11	$0.12	$0.09
Other	$0.00	$0.01	$0.01	$0.01	$0.01
Total Expenditure per Meal	**$3.30**	**$3.58**	**$2.60**	**$2.22**	**$2.80**
Total Gain or (Loss) per Meal	**($0.40)**	**($0.06)**	**$0.02**	**$0.11**	**$0.02**

Source: District FY 2004-05 4502 Financial Reports
Note: Meal equivalents calculated according to the National Food Service Management Institute's *Financial Management Information System* (2005). One lunch = one meal equivalent; one breakfast = two meal equivalents; and a la carte sales / (Free Lunch Reimbursement + Commodity Value per Meal) = one meal equivalent

According to **Table 5-3**, Chardon LSD's expenditures per student and per meal ratios are higher than the peer average, due in part to salaries and fringe benefits. This is primarily a result of low participation rates, and higher staffing and salary levels (see **R5.1**, **R5.2** and **R5.3**, and **human resources** section for a discussion of salary levels). The District's health care premium costs and

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employee contribution levels could also contribute to the higher fringe benefit costs per student and per meal (see **human resources** for health care). The District spent 26.8 and 22.1 percent more in salaries and fringe benefits per student than the peer averages, respectively. On a per meal equivalent basis, Chardon LSD spent 37.3 percent more than the peer average when combining salaries and fringe benefits expenditures. In all other expenditure categories, the District's per student and per meal ratios are lower than the peer average, with the exception of supplies and materials per meal equivalent. However, supplies and materials per meal equivalent is much lower than Highland LSD and similar to Anthony Wayne LSD, and the District uses several consortiums to purchase supplies and materials. By increasing participation, the District could lower its supplies and materials per meal equivalent through increased economies of scale for purchases (see **R5.1**, **R5.2** and **R5.3** for increasing participation). While the District's revenues per student are lower than each peer, its revenue per meal equivalent is the second highest when compared to the peers. The District's higher revenue per meal equivalent when compared to Canfield LSD is partially due to its higher meal prices (see **R5.3**).

Table 5-3 also illustrate that Chardon LSD's food service operating deficit is much greater than Highland LSD, while Anthony Wayne LSD and Canfield LSD food services operated at a net gain in FY 2004-05. The District's food service operating deficit would further grow by charging utility and trash removal expenses related to food service operations to the Food Service Fund, rather than to the General Fund (see **R5.4**).

Assessments Not Yielding Recommendations

In addition to the analysis presented in this report, assessments were conducted on several areas which did not warrant changes and did not yield recommendations. These areas include the following:

- **Claim Submission:** The District submits its claims for meal reimbursement well under ODE's maximum of 60 days following the month being reported.

- **Economical Purchasing:** The Food Service Department maximizes District purchasing power through the use of multiple consortiums, which better ensures that the District buys supplies at a low cost. The Food Service Department also operates a just-in-time (JIT) delivery system, which avoids the costs associated with maintaining excess inventory.

Noteworthy Accomplishments

During the course of this performance audit, AOS identified the following noteworthy accomplishments or best practices in Chardon LSD's food service operations:

- **Operating Manual:** The District has a comprehensive food service operations manual that reflects Board approved policies. It is up-to-date and available to all food service employees to reference as a training tool. The manual also reflects appropriate ORC and OAC sections and covers essential items related to food service, such as cash control, receipt of goods, inventory procedures, record keeping, sanitation and food safety, employee safety, and procedures for emergencies or injuries.

- **Prior Evaluations:** The District received an ODE evaluation of its food services program in 2001 and used the results of the program to improve its food service operations by enhancing production reports, better protecting the identity of students receiving free and reduced price meals, implementing sanitation training, and reducing the fat content of its meals. The evaluation was available to districts free of charge through the Office of Child Nutritional Services.

Recommendations

Operational Efficiency

R5.1   **The District should review its standard meal and ala carte offerings to identify changes that would increase participation while ensuring the appropriate level of nutritional value of its meals. For instance, the District should consider limiting the selection of hot items that can be purchased separate from reimbursable meals, which could increase reimbursable meal participation and related revenues, and maintain or improve nutritional value. The District should also determine whether changes are necessary for standard meal offerings to increase student participation and the number of reimbursable meals purchased by students. For example, the District could increase the number of main dishes offered at the high school and middle school selections to two, and offer the main dishes as the only hot ala carte items to increase reimbursable meal participation.**

     As the District increases participation, it should monitor the related increase in meals per labor hour (MPLH) at each building. This will naturally improve kitchen efficiency, assuming that the District maintains the current labor hours. The District should also consider reallocating food service staff and adjusting hours to equitably staff each building, while simultaneously striving to meet and exceed national and peer efficiency standards. Furthermore, purchasing a point of sale (POS) system, implementing direct certification, reviewing the scheduling of classes, and maintaining current meal prices for the short-term would also help increase student participation (see R5.2 and R5.3). Finally, if the District does not increase participation to optimal levels, it should reduce labor hours to improve operational efficiency.

     Overall, the District's Food Service Department serves meals to students at a level below both the recommended industry standards and the peer districts. The Food Service Department operates a centralized kitchen at the high school. All lunches are prepared at the high school in the morning and then delivered by van to the middle school and four elementary schools. The District only offers breakfast at the high school and middle school.

     An analysis of meals per labor hour (MPLH) was conducted based on criteria taken from the National Food Service Management Institute's (NFSMI) *Financial Management Information System* (2005). In school food service programs, the production of meals is the standard unit of measurement most often used to gauge the effectiveness and efficiency of a school food service program. The following shows the meal equivalent

conversions from this publication, which are used to convert meals served to meal equivalents in this performance audit:

- One Lunch = one meal equivalent
- Three Breakfasts = two meal equivalents
- Ala carte sales / (Free Lunch Reimbursement + Commodity Value per Meal) = one meal equivalent

Once a meal equivalent has been calculated, MPLH is calculated. Staffing guidelines differ based on the meal preparation method used by a district, which is either conventional or convenience. Conventionally prepared food uses fewer processed items, with more items prepared from scratch such as raw vegetables and homemade breads, and does not use disposable serving items. Chardon LSD's Food Service Department is preparing food through the convenience method. **Table 5-4** illustrates both the low and high MPLH productivity guidelines for the convenience system.

Table 5-4: MPLH Guidelines for Number of Equivalent MPLH

Number of Meal Equivalents	Convenience System	
	Low Productivity	**High Productivity**
Up to 100	10	12
101–150	11	13
151–200	12	14
202–250	14	15
251–300	15	16
301–400	16	18
401–500	18	19
501–600	18	19
601–700	19	20
701–800	20	22
801–900	21	23
901+	22	23

Source: School Foodservice Management for the 21st Century, Fifth Edition, 1999.
Note: These standards were determined based on prior meal equivalent calculations of one lunch = one meal equivalent; three breakfasts = one meal equivalent; and $3 in ala carte sales equal one meal equivalent. While NFSMI's 2005 publication contains updated MPLH calculations, it does not included changes in MPLH standards. According to NFSMI, the 1999 MPLH standards can be applied to the updated meal equivalent calculations.

Based on the MPLH methodology, **Table 5-5** compares building level operational efficiency of the District's food service operations to the guidelines reported in *School Foodservice Management for the 21st Century* (1999).

Table 5-5: Meal Per Labor Hour (MPLH) Comparison

Building	Total Daily Meal Equivalents	Daily Labor Hrs Used per Building[1]	Chardon MPLH	MPLH Guideline[2]	Over / (Under) National Guideline
High School	481	29.7	16.2	19	(2.8)
Middle School	367	27.3	13.5	18	(4.5)
Hambden Elementary	128	8.9	14.3	13	1.3
Munson Elementary	182	10.8	16.8	14	2.8
Maple Elementary	136	10.5	13.0	13	0.0
Park Elementary	187	11.4	16.3	14	2.3

Source: Food Service Supervisor, ODE reports
Note: MPLH does not change significantly at the elementary schools when using the 1999 meal equivalent calculations. The largest variances occur in the High School and Middle School, where MPLH decreases to 14.75 and 12.35, respectively, under the 1999 calculations.
[1] Hours for each building includes the hours (28.25) staff work in the high school to prepare meals for other schools.
[2] School Foodservice Management for the 21st Century, Fifth Edition, 1999.

Table 5-5 shows that food service operations in the high school and middle school fall below the guidelines, while the remaining schools are meeting or exceeding the guidelines. In total, the District serves approximately one fewer meal per daily labor hour when compared to the guidelines.

Table 5-6 compares Chardon LSD's operational statistics to the peers.

Table 5-6: Peer Comparison of Operational Efficiency Statistics

	Chardon LSD	Highland LSD	Anthony Wayne LSD	Canfield LSD	Peer Average
Total Meals Served	256,281	215,668	356,499	315,028	295,732
Total District Students	3,293	2,916	4,030	3,078	3,341
Total Daily Labor Hours	98.63	88.80	113.75	78.25	93.60
FY05 Number of Days Meals were Served	173	169	173	176	173
Average Meals Served per Daily Labor Hour	15.02	14.37	18.12	22.87	18.45
Total Students per Daily Labor Hour	33.39	32.84	35.43	39.34	35.87
Daily Meals as a Percent of Students Attending[1]	47.0%	45.6%	53.0%	60.7%	53.1%

Source: ODE
[1] Students attending was determined by applying the attendance rates in FY 2004-05 to the number of students.

Table 5-6 shows that the District's ratios of average meals served per daily labor hour and total students per daily labor hour are both lower than Canfield LSD and Anthony Wayne LSD. Based on **Table 5-5**, this is primarily due to the low MPLH at the middle

school and high school, which is subsequently attributable to the low total participation rates at these schools (see **R5.3** for further discussion on participation rates). **Table 5-6** also shows that daily meals comprise only 47 percent of the students in attendance, which is lower than the peer average and two of the three peers. This further indicates low student participation.

While Chardon LSD offers only one main dish for lunch, students at the middle school and high school have various options besides reimbursable meals. For instance, the high school offers the following hot items separate from reimbursable meals: French fries, onion rings, chili, soup, nachos and cheese, tacos, Mexican pizzas, cheese burgers, sloppy-joes, grilled cheese, and barbeque rib sandwiches. The District is not compensated by the National School Lunch and Breakfast Program (NSLBP) when these items are served separate from the reimbursable meals. Even with offering all of these options, Chardon LSD's average ala carte sales per student of $64.73 is 24 percent lower than the peer average of $85.24, and its total participation rates at the high school and middle school are lower than Antony Wayne LSD and Canfield LSD (see **R5.3**). Furthermore, to be eligible for reimbursement, schools must prepare and serve meals that meet federal nutrition requirements.

Canfield LSD has the second highest total participation rate of the peers, the highest total participation rate at the high school, and the highest average daily participation for reimbursable lunches. The FSS of Canfield LSD attributed this performance to the following factors:

- Each school offers only one type of meal with a choice of one hot ala carte item at the middle school and high school.
- Fewer options help to move students through the lunch lines at a faster rate.
- The point of sale (POS) system requires less collection of cash from students, and speeds up the process for students to move through the lunch line.
- The high school and middle school snack bars do not serve hot items, which promotes the sale of reimbursable lunches

In addition to offering various hot and ala care items separate from reimbursable meals, Chardon LSD does not use point of sale technology (see **R5.2**).

By increasing participation and maintaining current labor hours, the Food Service Department will naturally improve efficiency. In order to achieve the peer average MPLH, the District would need to increase the total meal equivalents to approximately 315,000, which amounts to a 23 percent increase from meal equivalents in FY 2004-05. Although this represents a relatively sizeable increase, the District can work to achieve this goal over time by implementing the recommendations discussed in this performance audit, with the ultimate goal of eliminating the operating deficits in the Food Service

Fund. As shown in **Table 5-2**, the District's food service expenses have been exceeding revenues at an accelerating rate. In FY 2004-05, expenses exceed revenues by approximately $102,000. Moreover, increasing MPLH to the peer average would increase its daily meals as a percent of attending students to 57.7 percent, which would be higher than Anthony Wayne LSD and Highland LSD but still lower than Canfield LSD.

Lastly, assuming that meal equivalents would increase by 23 percent at each building, it would essentially eliminate the variances at the high school and middle school when compared to the staffing guidelines published by *School Foodservice Management for the 21st Century* (Fifth Edition, 1999) (see **Table 5-5**). More specifically, Chardon LSD would serve only 1.4 fewer meals per labor hour at the middle school and 0.9 more meals per labor hour at the high school. Additionally, Chardon LSD would exceed the national guidelines at the elementary schools by 3.0 to 6.6 meals per labor hour. While *School Foodservice Management for the 21st Century* (Fifth Edition, 1999) attempts to measurably account for the differences in preparation method and number of meal equivalents on MPLH (see **Table 5-4**), this publication indicates that the needed labor hours will be influenced by a number of other factors, including the number of menu choices, experience and training of employees (see **R5.12**), and whether equipment is manual or automated (see **R5.2**).

Financial Implication: Assuming Chardon LSD increased the number of meal equivalents to a level that resulted in MPLH similar to the peer average by increasing participation, it would increase revenues by approximately $170,000 annually. This is also based on the average revenues per meal equivalent of $2.90 in FY 2004-05 (see **Table 5-3**). However, the District may not be able to immediately realize this additional revenue because increasing participation may occur over time. Therefore, assuming the District would realize this total increase after three years, the District would realize an average increase in revenues of approximately $56,600 in the next three fiscal years.

Participation

R5.2 **The District should purchase a food service point-of-sale (POS) system through a competitive proposal process. Doing so would help increase the rate at which students move through the lunch line and help protect the identity of students receiving free and reduced priced meals. This could subsequently increase meal participation rates and related revenues for the Food Service Department. Furthermore, a POS system would enable the District to efficiently collect and evaluate operational data, including the assessment of performance measures (See R5.6).**

The District is not tracking food service data electronically. The Manager of Operations and FSS have received information from POS technology providers, but a formal request

for proposals has not been sent to POS technology providers. According to the FSS, the District has been unable to implement the technology due to its current financial situation. In previous conversations with suppliers of these systems, they estimated an initial investment of over $10,000 for the High School alone.

In contrast to Chardon LSD, the food service department of Canfield LSD is a self-sufficient operation, posting the highest operating surplus (i.e., revenue in excess of expenditures) in FY 2004-05 when compared to the other peers (see **Table 5-3**). Additionally, Canfield LSD's participation rate is higher than Chardon LSD (see **R5.3**). According to the food service supervisor of Canfield LSD, the food service department implemented POS technology district-wide eight years ago. Parents add money to student accounts as needed. The POS technology increased food sales along with the pace at which students move through the lunch line. The food service supervisor also indicated that high school students do not hesitate to purchase an extra sandwich or snack along with their lunches because they do not have to carry cash. However, controls are in place to prevent students from draining their accounts too quickly. For example, when pizza is served, students are limited to purchasing one extra slice with their meals.

In addition to the use of pre-paid accounts and elimination of manual cash transactions to reduce the time spent by students in lines, a review of system features from several companies indicated that a POS system privately processes all meal transactions including free and reduced meals (i.e., use of ID swipe/scan cards). This can help increase student participation. Furthermore, a POS system enables school districts to easily track food service data.

According to the *School Foodservice Management for the 21st Century* (Fifth Edition, 1999), the benefits of a well-thought out computerized system with checks and balances, and accurate data entry include increased efficiency, comprehensive management reports and analyses, and reduced food and labor costs. This publication also indicates that the following are features to look for in POS systems:

- Speed in getting students through a line;
- Accuracy in maintaining data;
- Small footprint (i.e., requiring minimal space);
- Touch screens with icons;
- On-line photo IDs;
- Wireless remote;
- Biometric or bar code readers;
- Multi-tasking computing;
- Minimum number of key strokes to complete the task; and
- Keypads and personal identification numbers.

The absence of a POS system contributes to long wait times in lunch lines, which subsequently contributes to the District's low participation rates (see **R5.3**). It also inhibits the Food Service Department from easily gathering, tracking and evaluating key operational data.

Financial Implication: Implementing a POS system District-wide would result in approximately $29,000 in one-time costs.

R5.3 **The District should implement direct certification of students' eligibility for the free and reduced price lunch program by using the Geauga County Department of Job and Family Services (GCJFS) eligibility information. This would help improve participation rates, reduce the labor required within the District to determine eligibility, and comply with upcoming federal requirements. In addition to purchasing a POS system to improve efficiency and increase the rate at which students move through lunch lines (see R5.2), the District should review its scheduling of periods and classes at the high school to determine whether students can be more evenly distributed during the lunch periods. However, the District should ensure that any changes made do not negatively impact its educational curriculum. Lastly, the District should consider maintaining the current meal prices in the short-term (e.g., two years) as another means to increase participation.**

The District has low student participation rates in its food service program. **Table 5-8** compares Chardon LSD's lunch participation rates and meal data for FY 2004-2005 to the peers.

Table 5-8: Comparison of Lunch Participation Rates

District	Poverty Rate [1]	Median Income	% Free and Reduced Lunches	% Reduced Lunches	Average Daily Participation Based on Average Daily Attendance [2]	Total Participation [2]
Chardon LSD	5.7	$37,125	15.96%	7.34%	43.32%	56.68%
Anthony Wayne LSD	4.6	$44,424	12.19%	3.26%	44.37%	61.47%
Highland LSD	3.2	$42,424	12.81%	6.40%	18.69%	43.29%
Canfield LSD	4.3	$40,134	5.50%	2.34%	46.27%	59.91%
Peer Average	4.0	$42,327	10.17%	4.00%	36.44%	54.89%
Variance from Peers	1.7	$5,202	5.79%	3.34%	6.88%	1.79%

Source: Chardon LSD and Peer MR 60 reports from ODE
[1] Children living in families receiving social service benefits as a percent of average daily membership
[2] According to ODE, average daily participation shows the percentage of students buying reimbursable lunches. Total participation includes a la carte item sales and other non-reimbursable food sales to show the percentage of students supporting cafeteria operations.

Table 5-8 shows that Chardon LSD's percentages of free and reduced, and reduced lunches are higher than each peer, partially due to the District's higher poverty rate and lower median income. Additionally, the District's total student participation rate is above the peer average. However, Highland LSD's significantly lower participation rate skews the peer average. As indicated in **Table 5-8**, Chardon LSD's participation rate is lower than Anthony Wayne LSD and Canfield LSD. The District's average daily participation is also lower than Anthony Wayne LSD and Canfield LSD, despite its higher free and reduced, and reduced lunch rates.

The District's lower total student participation rate is due to the participation at the high school and middle school. More specifically, the high school and middle school total participation rates in FY 2004-05 averaged 50.5 and 55.7 percent per month, respectively. These rates are lower than Canfield LSD (76.2 and 60.1 percent) and Anthony Wayne LSD (55.2, 66.7, and 62.5 percent at high, junior high and middle school, respectively). While Chardon LSD's average daily participation per month at the high school in FY 2004-05 of 22.9 percent was higher than Highland LSD (5.8 percent) and Anthony Wayne LSD (15.9 percent), it was much lower than Canfield LSD (39.9 percent). Furthermore, the District's average daily participation rate per month at the middle school of 27.1 percent was similar to Anthony Wayne's junior high school, but much lower than Anthony Wayne LSD's middle school (54.9 percent) and Canfield LSD's middle school (47.6 percent).

The District's participation at the high school is negatively impacted, in part, by an uneven distribution of students during the five lunch periods. Observations were conducted of the high school lunch periods in October 2005. The first lunch period and the last two lunch periods are similar in size, but the second and third lunch periods are the larger, with the third period serving the largest number of students. During this period, it is difficult for all the students to be served because of long lunch lines. As a result, many children use vending machines or eat packed lunches. A food service POS system would help increase the rate at which students can move through the lunch line and therefore, could help in increasing participation rates (see **R5.2**).

Because meal prices can impact participation rates, **Table 5-9** compares Chardon LSD's lunch prices to the peers from FY 2003-04 to FY 2005-06.

Table 5-9: Student Lunch Prices

	Chardon LSD	Anthony Wayne LSD	Canfield LSD
Elementary School			
FY 2005-06	$2.25	$2.15	$1.50
FY 2004-05	$2.00	$2.15	$1.50
FY 2003-04	$2.00	$2.10	$1.50
Middle School			
FY 2005-06	$2.50	$2.50	$1.75
FY 2004-05	$2.50	$2.45	$1.75
FY 2003-04	$2.25	$2.40	$1.75
High School			
FY 2005-06	$2.50	$2.50	$1.75
FY 2004-05	$2.50	$2.45	$1.75
FY 2003-04	$2.25	$2.40	$1.75

Source: Chardon LSD and peers
Note: Highland LSD information unavailable.

During the three year period, the District increased its meal prices once within each category. By comparison, Anthony Wayne LSD increased the middle and high school prices each year, while Canfield LSD maintained the same lunch prices each year for all students. While Chardon LSD's lunch prices for FY 2005-06 are similar to Anthony Wayne LSD, they are much lower than Canfield LSD. Furthermore, Chardon LSD's poverty rate is higher while its median income level is lower than both of these peers (see **Table 5-8**). For example, the District's poverty rate is 24 percent higher and its median income is 16 percent lower when compared to Anthony Wayne LSD. Based on these demographic variables, the District's meal prices could also be contributing to its lower participation rate.

The FSS does not use direct certification to determine free and reduced meal eligibility. Prior to FY 2005-06, the FSS randomly sampled 3 percent of the free and reduced meal applicants with requests for proof of income. However, this changed during the 2005-06 school year. The United States Department of Agriculture required all school districts with more than 20 percent of sampled applicants not returning paperwork to complete a focus verification of error prone applicants to determine eligibility. The District has completed the focus verification.

According to the Assistant Program Director of ODE's Office of Health, Safety and Nutrition, direct certification is available to all school districts to approve eligibility for free and reduced meal applicants. The Ohio Department of Job and Family Services (ODJFS) and the Ohio Department of Education's Office for Safety, Health and Nutrition collaboratively compile a list of students automatically eligible for the free and reduced price meals. The districts can simply check the list to see if the sampled applicant is recorded, and no paperwork needs to be returned to prove income. This is

meant to reduce paperwork and increase participation in the program. During the 2007-2008 school year, the USDA is requiring all school districts with more than 10,000 students enrolled to use the direct certification method. By the 2008-2009 school year, the USDA is requiring all school districts to complete the verification of eligibility for free and reduced meal prices with the direct certification method.

The District's low participation rate contributes to its low revenue per student (see **Table 5-3**), when compared to peer districts. Not using direct certification when verifying applicant eligibility for free and reduced meals results in unnecessary paperwork, a cumbersome manual process, and prevents the District form identifying all students qualifying for free and reduced meals.

Financial Operations

R5.4   The Operations Manager should work with the Treasurer to ensure that all appropriate expenditures are charged to the Food Service Enterprise Fund. In addition, the Operations Manager should work with the Treasurer to develop a five year financial projection for the District's food service operations. By fully charging all costs related to the food service operation and developing financial forecasts, the District will have more useful financial information for planning and budgeting purposes.

Chardon LSD's food service department is organized as an Enterprise Fund. However, utility, trash removal, and custodial supply costs are not charged to the fund. While the District's food service fund has been subsidized for several years, the District has not taken steps to eliminate the food service operating deficit. Furthermore, although the District develops forecasts of its overall revenues and expenditures (see **financial systems**), it does not forecast the financial condition of the food service fund to aid in planning efforts.

The Government Finance Officers Association (GFOA) recommends that governments calculate the full cost of services. The full cost includes all direct and indirect costs related to that service. Direct costs include employee expenses and other operating costs (e.g., utilities), while indirect costs include shared administrative expenses. GFOA also recommends that governments at all levels forecast major revenues and expenditures.

According to The Florida Office of Program Policy and Government Analysis (OPPAGA, 2002), school districts should run the food service program much like a business, ensuring that it remains in a healthy financial position. At a minimum, district management should require the food program to be self-sufficient by paying all appropriate direct and indirect expenses so that it does not drain general account dollars from the classroom. Management should also ensure that program account balances,

plans, and budgets support future self-sufficiency. OPPAGA sites the following indicators of effective cash management for a food service operation:

- The food service program's unreserved fund balance is sufficient to operate the program and is not dependent upon general fund transfers for operations.

- The program has a five-year cash flow budget in-place that meets planned needs and will not require use of general fund monies.

- Program managers submit and receive federal and state reimbursements timely (requested within 30 days).

- The program directly, or through the district's indirect services rate, pays for appropriate program-related expenses (e.g., trash removal, utilities, equipment, repairs, cafeteria renovation) to ensure general fund monies intended for the classroom are not diverted to support the food service program.

Chardon LSD did not achieve any of the indicators, except ensuring that federal and state reimbursements were submitted and received timely.

By not allocating all appropriate costs to the Food Service Fund, the District is not presenting the true cost of its food service program and relies on the General Fund to support food services. This, in turn, diverts General Fund resources from other areas, such as direct instruction. The lack of forecasting of food service revenues and expenditures inhibits the District from identifying and addressing current and potential problems before they materialize.

Financial Implication: If the District charged utility, trash removal, and custodial supply expenditures to the food service operations, it would increase annual expenditures in the Food Service Fund by approximately $44,000 annually with a corresponding decrease in General Fund costs. This is based on the percentage of total building square footage attributable to the cafeterias and kitchens.

Strategic and Operational Planning

R5.5   **Chardon LSD should develop a five-year strategic plan for food service operations that is tied to the District's operational goals, finances, and budgeting process. The food service portion of the strategic plan should include goals and benchmarks tied to the District's overall strategic plan and financial forecasts, as well as to financial forecasts of food services (see R5.4). This plan should be maintained and updated annually by the Food Service Supervisor in conjunction with the Assistant Superintendent and Treasurer.**

The District has a five year strategic plan that covers many of its operational units. Although the Food Service Department has an operating manual that covers key policies and procedures, the District's strategic plan does not include food services. Furthermore, benchmarks and performance measures are not identified, quantifiable goals are not established, and progress toward goal achievement is not tracked for food service operations.

According to GFOA in its publication *Recommended Budgeting Practices* (1999), a government should prepare policies and plans to guide the design of programs and services. Service and program policies and plans translate broad goals into strategies for achieving goals. These policies and plans provide the basis for designing specific programs and services. Program and service policies and plans may address items such as: groups or populations to be served, service delivery issues, examples of possible programs, standards of performance (including level of service standards or other measures to gauge success), expected costs, time frames for achievement of goals, issues pertaining to organizational structure, and priorities for service provision. GFOA also recommends that all governments use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. According to GFOA, a sound strategic planning process includes the following key steps:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors;
- Identify critical issues which should reflect stakeholder concerns, needs and priorities;
- Agree on a small number of broad goals;
- Develop strategies to achieve broad goals;
- Create an action plan;
- Develop measurable objectives;
- Incorporate performance measures;
- Obtain approval of the plan;
- Implement the plan;
- Monitor progress; and
- Reassess the strategic plan.

The absence of a strategic plan prevents the Food Service Department from effectively planning for and identifying needs, allocating resources, establishing and measuring the attainment of appropriate goals, and assigning accountability.

R5.6   The Food Service Supervisor should develop an expanded set of performance measures in conjunction with a strategic plan (See R5.5) and five-year financial projections (See R5.4). Furthermore, the performance measures should be linked to the District's overall mission, strategic plan and budget, and be used as a basis for making operational decisions. The Treasurer's Office, Manager of Operations, and Food Service Supervisor should collectively evaluate these measures on a regular basis.   Examples of performance measures that could help drive food service decisions are net income margin, food cost margins, salary plus benefits margin, and meals per labor hour (MPLH).

The Food Service Department does not use a sufficient number of performance measures to track and evaluate its operations. The District bases its operations on the information provided in the management reports (MR 70) that are sent to the Ohio Department of Education. While the District does collect operating information to fulfill state reporting requirements, this information is not used to evaluate performance or to help make operational decisions.

According to OPPAGA (2002), like other publicly funded entities, a school district should be held accountable to parents and other taxpayers for the performance and cost of its major programs and support services, such as food services. To accomplish this, school districts should have a performance measurement system that allows managers at both the district and program level to evaluate performance and make informed decisions regarding the use of limited resources. A comprehensive set of program measures should include input, output, outcome, and cost-efficiency measures. Districts need to periodically verify that their performance information is reliable by testing its accuracy and should assure its validity by assessing whether it is useful. Managers also need to occasionally review performance benchmarks and efficiency standards for appropriateness. The degree of sophistication of a performance measurement system may vary with the size of the district; smaller districts may have a less formal reporting system and simpler methodology for development and validation of benchmarks. OPPAGA sites the following four indicators of effective performance management systems:

- Program management has developed *program-level* performance and cost-efficiency measures such as, net income margin, food cost margins, salary plus benefits margin, and participation rates (free and reduced as percentage of eligible and overall participation).

- Program management has performance and cost-efficiency measures in-place to assist in managing school-level operations, such as meals per labor hour, salaries plus benefits margin (lunch and breakfast) and food cost margin (lunch and breakfast).

- Program management uses sound methodology to develop performance and cost-efficiency measure benchmarks, such as historical performance, comparison with peers, and integrated planned program changes.

- Program and district management periodically review performance and cost-efficiency measures and benchmarks to ensure reliability and relevance.

Some examples of food service performance measures proposed by OPPAGA include:

- Gross margin (revenue less expenses);
- Participation rates (regular and free and reduced lunch);
- Labor margin (percentage of total expenses comprising labor and benefits);
- Materials margin (percentage of total expenses comprising food and materials); and
- Average meals served per labor hour.

Additional measures that can be used by the district include the following:

- Cost per meal and student by expenditure category (see **Table 5-3**);
- Students per lunch period;
- Students per serving minute; and
- Meals per serving period.

According to the GFOA in its publication, *Recommended Budget Practices (1999)*, governments should develop and utilize performance measures for functions, programs, and/or activities. Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable terms.

Data for developing performance measures is available in current program records and reports required for state reporting, while implementing a point-of-sale automated system will enable the District to more efficiently collect and evaluate operational data (see **R5.2**). The District could use this information to maintain a timely, comprehensive performance measurement system that allows for a comparison of actual performance with appropriate standards.

R5.7   Chardon LSD should develop formal methods for periodically (e.g., annually) soliciting input from students and other relevant stakeholders (e.g., parents and District employees), such as an online survey on the District's website. As the Food Service Department administers subsequent surveys, it should track progress in addressing the issues identified in them and incorporate survey results in its strategic plan (see R5.5).

The District does not have a formal method for obtaining and addressing stakeholder concerns and feedback. However, during scheduled lunch periods, the FSS visits each elementary school twice per month and the middle school three times per week. The FSS observes students' trays to help track student purchasing patterns and assist in detecting desirable menu items, and talks with students about their likes and suggested changes. In addition, the FSS interacts with elementary classrooms by giving presentations about the food service program several times per year.

According to the National Food Service Management Institute's *Recipes for Practical Research in Child Nutrition Programs* (1998), school foodservice and nutrition programs should begin their continuous improvement process by gathering customer feedback. The initial customer focus must be on students. Surveys are one method for gathering information from a large group of people in a short period of time at a moderate cost. Valid and reliable data gathered from students must be the basis for developing enhancements in school foodservice and nutrition programs. With the implementation of these practices, school food service and nutrition programs will ensure a sound customer base and financial stability. This publication outlines the following steps for developing and administering a food service survey:

- **Step I:** Determine the objective of the survey, and ensure the survey is valid and reliable (e.g., conduct focus groups to identify objectives, choose a survey design and measurement scale, and pilot-test the survey instrument);

- **Step II:** Gain approval from the school community (i.e., school administration, principals, teachers, and parents);

- **Step III:** Determine when the survey should be conducted;

- **Step IV:** Determine how many surveys are needed to obtain valid data (specific guidelines are available in the publication);

- **Step V:** Determine how the survey will be conducted [e.g., random sampling (ideal method), classroom administration (classes taken by a large portion of the student body), etc.]; and

- **Step VI:** Develop a support network for the survey process and continuous improvement, such as through the following:

  - ➢ Involve student organizations, food service staff, and parent/teacher organizations;
  - ➢ Inform school administrators and state agencies;

> ➤ Solicit assistance as directors should not conduct surveys by themselves; and
> ➤ Analyze survey data.

Although the FSS informally tries to address students' needs, the Food Service Department does not solicit feedback from other relevant stakeholders, such as parents and District staff. Furthermore, collecting feedback only through observations and informal discussions, rather than via a broad data collection mechanism (e.g., formal surveys), limits the District's ability to identify all perceived problems and measure the significance of potential issues. This can subsequently contribute to the District's low participation rates (see **R5.3**).

R5.8   **The FSS should work with the Manager of Operations to develop a preventive maintenance program for its food service equipment and ensure the scheduled cleaning of all refrigeration units is conducted periodically. In addition, the District should develop a multi-year equipment replacement plan that includes disposal of obsolete/surplus equipment according to District policy. This plan should be linked to the District's capital improvement plan and related policies (see the facilities section), as well as the strategic plan and budget for the Department (see R5.5). Preventive maintenance and planning should contribute to longer useful life and reduced repair costs for equipment.**

The District does not perform preventive maintenance on food service equipment, and does not have an equipment replacement plan. Specifically, as a means to save money, the Food Service Department tends to let equipment break down or become obsolete before requesting funds for replacement, and equipment is replaced on an as needed basis. For example, the District has dishwashers at Munson Elementary and the Middle School that are over 30 years old. Also, the refrigeration units are cleaned by custodians only when requested by the food service supervisor. Although the District lacks a formal equipment replacement plan and preventive maintenance program, the FSS indicted that the Maintenance Department performs an annual assessment for equipment replacement and repairs food service equipment in a timely fashion.

OPPAGA states that an indicator of the use of best practices is that program management has a viable preventive maintenance and long-range equipment replacement program in place. Additionally, GFOA recommends that governments develop a capital improvement plan, as well as adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement (see the **facilities** section for more information).

A lack of effective preventive maintenance and equipment replacement planning could increase the cost of providing meals, due to increased repair costs. The District could also have difficulty anticipating needed facility and equipment repairs and replacements without an effective plan.

R5.9 **The District should periodically assess the benefits and costs of contracting for food services, via a competitive request for proposal (RFP) process. Once multiple RFPs are obtained from providers, the Food Service Supervisor should analyze the proposals in conjunction with the Superintendent, Manager of Operations and the Treasurer. These administrators should determine whether contracting for food services would reduce costs and improve, or at least maintain, the current service quality. This is especially important considering the rising deficits in the Food Service Fund (see Table 5-2). However, the District should review the recommendations in this performance audit and consider implementing them to improve internal food service operations. Doing so would provide the District with a more cost-effective food service operation that subsequently can be better compared to the cost-effectiveness of contracting out for food services.**

The Food Service Department does not receive competitive bids from outside food service providers to evaluate the benefits of food service privatization. According to the GFOA, a government should develop programs and evaluate delivery mechanisms. A government should institute a process to develop new programs and services, and review existing ones in the context of how well they meet programmatic and operating policies and plans. The process should include an examination of how a government traditionally provides the service. It also should consider whether the service could be delivered more effectively or more efficiently if provided in a different way, either by the government itself or by entities outside of the government.

Considerations in evaluating service delivery mechanisms, whether provided directly by a government or contracted out, include:

- Cost of service, including short- and long-term direct costs, costs to administer and oversee the service, impact on rates and charges, and impact on costs of other government services.

- Service quality and control, including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its own performance, ability to change the delivery mechanism in the future, and risk of contractual nonperformance and default.

- Management issues, including the quality of monitoring, reporting, and performance evaluation systems, public access to information, and ability to generate or sustain competition in service delivery.

- Financial issues, including impact on outstanding debt and grant eligibility.

- Impact on stakeholders, including government employees, customers, and taxpayers.
- Statutory and regulatory issues, including impact on federal and state legal and regulatory requirements, and liability.

By failing to consider options like privatization, the Department does not know whether other entities could operate food services at a lower cost and at a higher level of quality.

Purchasing

R5.10 **The Food Service Supervisor should work with the Superintendent, Treasurer, and Manager of Operations to expand the District's purchasing policies and procedures. Specifically, the District's purchasing policies and procedures should include examples of purchasing forms with related instructions, proper methods for changing limits and tracking/reconciling the balances remaining on blanket purchase orders, procedures for updating the current vendor list, an explanation of the process for submitting requisitions, and the steps involved when submitting purchase orders (POs) exceeding the blanket purchase order limit. In addition, the revised purchasing policies and procedures should be communicated and made available to appropriate District staff. See the facilities section for additional recommendations on purchasing policies.**

The Food Service Department uses Board approved policies to guide its purchasing process. It also has a department manual that provides general information for ordering groceries and supplies, including materials and forms needed for orders. The FSS purchases all food and supplies for the department. The Treasurer's Office approves all food service purchase orders monthly, and the limits for the blanket purchase orders are approved quarterly based on prior year expenditures. All of the open blanket purchase orders are in effect for three months, and the FSS maintains a running balance of the amount left in each blanket P.O. Maintaining the blanket purchase orders allows the FSS to purchase food items far enough in advance to operate a just-in-time (JIT) delivery system, which eliminates costs associated with maintaining a large inventory. Additionally, purchases cannot exceed the set limit for each supplier by more than 10 percent without issuing a separate purchase order.

Although controls exist in the Food Service Department's purchasing process, the District lacks formal policies and procedures for some aspects of the process. While the food

service manual indicates the materials and forms needed to place orders, it does not thoroughly explain the purchasing process to be followed. In addition, the Board policy manual lacks formal policies and procedures for developing, tracking, and placing restrictions on blanket purchase orders; and for maintaining and updating vendor lists. Aside from indicating that the requisitioner is responsible for providing an adequate description and that a source of supply should be included on requisitions, the District lacks formal procedures that explain the requisition process. By developing formal policies and procedures for the above items, the District would provide more guidance to staff and ensure a greater level of control in the purchasing process.

Collective Bargaining Provisions

R5.11 The District should seek to eliminate or reduce the uniform allowance for food service employees.

The District provides a uniform allowance of $30 per calendar month worked to every food service employee working more than ten days per month. In contrast, Highland LSD is the only other peer district with uniform allowance language stated in the contract. Highland LSD provides a minimum of two, and a maximum of five, shirts per year for all food service employees. However, no dollar amount for the uniform allowance is expressed.

Financial Implication: If the District eliminated the uniform allowance for food service employees, it would save approximately $6,900 annually based on uniform allowance payments in FY 2005.

Training

R5.12 Chardon LSD should formalize its training program by documenting dates, topics of instruction, and employee attendance. The FSS should also obtain formal feedback from the food service employees attending each training session, and ensure that the skills taught at training sessions are effectively applied by employees in their daily job functions.

The FSS has developed a food service training manual that includes the following topics:

- Food safety,
- Portion control,
- Production control,
- Special diets,
- Inventory and meal count procedures,

- Receiving and storage of food and supplies,
- Emergency procedures, and
- Customer service.

However, the Food Service Department does not maintain formal training records. The District conducts an in-service day at the beginning of each school year. Such topics as blood-born pathogens and food temperature requirements are discussed at these in-service days. The FSS also provides training to food service employees in the Heimlich maneuver as required by the ORC. Smaller trainings are provided throughout the year to select food service staff as the need arises. The FSS estimated that five of these smaller training sessions are conducted per year.

Documenting the food service training programs, including feedback from employees on training, will help the District better monitor training completed by staff and determine the value of the trainings. This, in turn, would better ensure that all food service staff members are fully trained on critical aspects of their job functions, and that the Department provides the necessary and appropriate training.

Financial Implications Summary

The following table represents a summary of estimated annual revenue enhancements, annual cost savings, one-time costs, and annual costs for food services. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications

	Estimated Annual Revenue Enhancements	Estimated Annual Cost Savings	Estimated One-Time Costs	Estimated Annual Costs
R5.1 Increased participation	$56,600 [1]			
R5.2 Implement a POS system			$29,000	
R5.4 Charge appropriate expenses to the Food Service Fund				$44,000
R5.11 Eliminate the uniform allowance [2]		$6,900		
Totals	**$56,600**	**$6,900**	**$29,000**	**$44,000**

[1] This represents the phased-in average annual increase of additional revenues for the next three years to ultimately reach the total annual projected increase in revenues of approximately $170,000 thereafter.
[2] Subject to negotiations with the collective bargaining unit.

Transportation

Background

This section of the performance audit analyzes the Chardon Local School District (Chardon LSD) transportation operations. The objective is to review the Chardon LSD's transportation operation to develop recommendations for improvements and increased efficiency. Chardon LSD's transportation operations are compared to Anthony Wayne Local School District (Anthony Wayne LSD), Canfield Local School District (Canfield LSD), and Highland Local School District (Highland LSD). In addition, comparisons are made to twenty similar school district reports as generated from data collected by the Ohio Department of Education, and to other applicable sources. Furthermore, AOS administered a survey of Chardon LSD's employees regarding transportation services and the results of the survey were used in this report. **Appendix 6A** at the end of this section contains the full results of the transportation survey.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school for all students in grades kindergarten through eight who live more than two miles from their assigned school. School districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance and to educable mentally retarded children in accordance with standards adopted by the State Board of Education. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on their unique needs.

As stipulated by Chardon LSD's Board of Education (the Board), it is the District's policy to provide pupil transportation services to all elementary and secondary school students to the extent determined by the administration and approved by the Board. Board policy indicates that the District will provide transportation for resident elementary students, kindergarten through grade 8, who live more than two miles from school and for all students with physical or mental disabilities which make walking impossible or unsafe. According to the District's policy, the transportation of high school students is optional. Board policy also indicates that the Board may create exceptions based on hazardous walking conditions and assignment of students to another building to alleviate overcrowding. This has, in part, resulted in the District transporting students above the recognized State minimum standards. However, the District's current and historical practice is to transport all students (high school, middle school, and elementary school students) who live more than one mile from their assigned school, which further contributes to the transportation of students above minimum standards (see **R6.2** for further discussion).

Expenditures

Chardon LSD provided transportation to 3,434 students who attended 8 public and 9 non-public school sites during FY 2004-05. **Table 6-1** compares transportation expenditure ratios for FY 2004-05 to the three peer school district and twenty similar school district averages during the same period.

Table 6-1: Expenditure Ratio Comparisons – FY 2004-05

	Chardon LSD	Peer Average	Percent Above (Below)	Similar District Average [6]	Percent Above (Below)
Riders (Type I, IA, and II)	3,434	3,201	7.3%	2,660	29.1%
Buses [1]	40	42	(4.8%)	37	9.0%
Annual Routine Miles [2]	451,980	489,600	(7.7%)	424,836	6.4%
Per Bus	**11,300**	**11,657**	**(3.1%)**	**11,576**	**(2.4%)**
Personnel Costs[3]	$1,601,348	$1,076,221	48.8%	$1,022,693	56.6%
Per Bus	**$40,034**	**$25,624**	**56.2%**	**$28,243**	**41.7%**
Per Routine Mile	**$3.54**	**$2.20**	**61.2%**	**$2.48**	**43.1%**
Maintenance & Repairs [4]	$154,445	$190,582	(19.0%)	$123,847	24.7%
Per Bus	**$3,861**	**$4,538**	**(14.9%)**	**$3,420**	**12.9%**
Per Routine Mile	**$0.34**	**$0.39**	**(12.2%)**	**$0.30**	**14.0%**
Fuel	$149,214	$171,824	(13.2%)	$123,943	20.4%
Per Bus	**$3,730**	**$4,091**	**(8.8%)**	**$3,377**	**10.5%**
Per Routine Mile	**$0.33**	**$0.35**	**(5.9%)**	**$0.29**	**10.9%**
Bus Insurance	$38,196	$41,371	(7.7%)	$34,434	10.9%
Per Bus	**$955**	**$985**	**(3.1%)**	**$951**	**0.4%**
Per Routine Mile	**$0.08**	**$0.08**	**0%**	**$0.08**	**0%**
Total Expenditures [5]	$1,960,187	$1,602,970	22.3%	$1,376,319	42.4%
Per Rider	**$571**	**$501**	**14.0%**	**$517**	**10.3%**
Per Bus	**$49,005**	**$38,166**	**28.4%**	**$37,502**	**30.7%**
Per Routine Mile	**$4.34**	**$3.27**	**32.5%**	**$3.24**	**31.1%**

Source: Ohio Department of Education (ODE)
Note: Figures include both regular and special needs-related expenditures and are rounded to nearest $1.
[1] Includes spare buses because they contribute to overall operating expenditures.
[2] Excludes non-routine miles because related expenditures are non-reimbursable and should not be reported to ODE.
[3]Includes salaries and wages, as well as retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.
[4] Includes maintenance repairs, maintenance supplies, tires, and tubes
[5] Includes Type IA and Type II, as well as the following additional miscellaneous expenditures (not assessed): utilities, facility rent, bus leases, and other.
[6] For costs and ratios in personnel, maintenance and repairs, and bus insurance, the similar district average represents only 19 districts because one district did not separately report costs in these respective categories.

As indicated in **Table 6-1**, Chardon LSD provided transportation services to 3,434 students (3,417 regular needs and 17 special needs) riders in FY 2004-05. Type-I services pertain to those provided on District-owned yellow buses and comprise the majority of transportation-related costs for which school districts are reimbursed by ODE. As shown on **Table 6-1**, Chardon LSD

total transportation expenditures per rider, bus and routine mile are much higher than the peer and similar district averages. This is primarily due to the District's personnel expenditures per bus and per routine mile, as they are 56.2 percent and 61.2 percent higher, respectively, than the peer average; and 41.7 percent and 43.1 percent higher, respectively, than the similar district averages. Higher staffing levels for the mechanic function (see **R6.9**), higher salaries and related benefit costs (see **R6.9** and **human resources**), and health care costs (see **human resources**) contribute to the higher personnel expenditures. For example, as stipulated in the collective bargaining agreement, the District provides full benefits for part-time classified employees working 25 hours per week, which is a lower work hour threshold than Anthony Wayne LSD (37.5) and Highland LSD (30). As a result, the District provided full health benefits to 16 bus drivers working between 5 and 6 hours per day in FY 2004-05. See the **human resources** section for a detailed assessment of the District's health care plan. Lastly, Chardon LSD's transportation expenditures comprised 8.5 percent of total District expenditures in FY 2004-05, much higher than the similar district and peer averages (6.5 and 6.7 percent, respectively).

Table 6-2 presents Chardon LSD's three-year pupil transportation expenditures (FY 2002-03, 2003-04, 2004-05).

Table 6-2: Chardon LSD Three-Year Expenditures by Line-item

Line Items	FY 2003	FY 2004	FY 2005	Three-Year Change %
PERSONNEL				
Supervisor	$42,344	$44,335	$49,000	15.7%
Transportation Secretary	$37,343	$36,734	$16,624	(55.5%)
Regular Driver Salaries	$715,462	$825,938	$766,546	7.1%
Substitute Driver Salaries	$69,281	$53,793	$42,832	(38.2%)
Bus Attendant Salaries	N/A	$37,417	$31,232	N/A
Mechanic	$150,154	$131,068	$140,437	(6.5%)
Mechanic Helper	$10,612	$19,563	$19,866	87.2%
Retirement	$139,817	$160,839	$164,788	17.9%
Workers' Compensation	$6,674	$12,076	$14,920	123.6%
Employee Insurance	$210,703	$310,405	$351,548	66.8%
Physical Exams and Drug Test (Drivers)	$0.0	$3,741	$1,775	N/A
Certification and Licensing Cost	$3,520	$732	$1,075	(69.5%)
Training (All)	$740	$0.0	$705	(4.7%)
Subtotal	**$1,386,650**	**$1,636,641**	**$1,601,348**	**15.5%**
GENERAL OPERATIONS				
Maintenance and Repairs	$66,365	$86,671	$103,499	56.0%
Tires and Tubes	$15,167	$17,656	$17,657	16.4%
Maintenance Supplies	$2,609	$5,405	$33,289	1175.9%
Fuel	$82,209	$82,504	$149,214	81.5%
Bus Insurance	$45,451	$40,177	$38,196	(16.0%)
Facility Rent Cost	$0.0	$0.0	$0.0	N/A
Utilities	$9,674	$13,580	$16,984	75.2%
Bus Lease Cost	$0.0	$0.0	$0.0	N/A
Other	$3,050	$1,199	$0.0	(100.0%)
Subtotal	**$224,545**	**$247,192**	**$358,839**	**59.8%**
TOTAL	**$1,611,195**	**$1,883,833**	**$1,960,187**	**21.7%**

Source: Ohio Department of Education
Note: Includes Type I, IA, and II expenditures only.

As shown in **Table 6-2**, Chardon LSD experienced both significant increases and decreases in transportation expenditures over the past three fiscal years, as explained by the following:

- **Transportation Secretary:** The salary costs decreased in FY 2005 because the position's duties were split between the transportation secretary position and an accounts payable/secretary position.

- **Substitute Driver Salaries:** The District reduced the number of substitute drivers needed over the course of the three year period, resulting in a reduction in expenses of 38.2 percent.

- **Mechanic Helper:** Salary costs for the mechanic helper position increased in FY 2004 due to a long disability and the need to use bus drivers, at a higher wage, to perform the position's tasks.

- **Worker's Compensation:** The Treasurer changed the allocation of Worker's Compensation costs charged to the department in FY 2004, resulting in a 123.6 percent increase in costs charged to the department over the three year period.

- **Certification and Licensing Cost:** Bus drivers need to be certified every six years and fewer drivers required certification in FY 2004 and FY 2005.

- **Maintenance and Repairs, Tires and Tubes:** According to the Transportation Supervisor, costs for the maintenance and repair of the District's fleet have increased due to the age of the buses. All of the District's buses passed State inspections, although some required additional maintenance before re-inspection.

- **Maintenance Supplies:** According to the Transportation Supervisor, the majority of this increase is due to the reallocation method for costs established by the Treasurer.

- **Fuel and Utilities:** Fuel and utility costs have increased 81.5 and 75.2 percent, respectively, during the three year period. According to the Transportation Supervisor, the cost increases were primarily due to industry-wide increases in fuel and utility costs.

Operational Statistics

Table 6-3 presents operating statistics for Chardon LSD, the peers, and the similar districts for FY 2004-05.

Table 6-3: FY 2005 Operating Statistics

	Chardon LSD	Similar District Average	Peer Average
District Square Miles	75	56.6	60.5
Riders	3,434	2,660	3,201
Riders Per Active Bus	98.1	87.4	95.1
Riders Per District Square Mile	45.8	47.0	52.9
Spare Buses	5	6	8
Spare Buses as a Percentage of Fleet	13%	17%	20%

Source: Ohio Department of Education

As seen in **Table 6-3,** the number of riders per active bus for Chardon LSD is greater than both the peer district and similar district averages, by approximately 3.2 percent and 12.3 percent respectively. However, staggering bell schedules, using routing software, and setting a target goal of

80 percent for bus capacity utilization can enable the District to increase its riders per bus ratio (see **R6.3**). As indicated in **Table 6-3**, the number of spare buses as a percentage of total fleet for Chardon LSD is below the peer district and similar district averages.

AOS administered a survey of Chardon LSD employees to obtain feedback and perceptions concerning transportation services. One hundred and fifty-five (155) employees completed the survey. **Appendix 6A** at the end of this section presents the entire survey results. The following highlights key points from the survey:

- **Quality of Service:** Seventy-one percent of respondents agreed that the quality of transportation services provided is good.

- **Timely Service:** Eighty-two percent of respondents agreed that the transportation department provides timely transportation to and from school, and 71 percent agreed that timely transportation is provided to and from special events.

- **Coordination of Services and Complaints:** Fifty percent of respondents agreed that there was effective coordination of routes and special trips with other District departments. Only 3 percent disagreed. Almost 42 percent agreed that the transportation department was effective in addressing complaints. Only 5 percent disagreed.

Noteworthy Accomplishments

During the course of this performance audit, AOS identified the following noteworthy practice in Chardon LSD's transportation operations:

- **Spare Buses:** Chardon LSD had the lowest percentage of spare buses when compared to the peer and similar district averages.

Assessments Not Yielding Recommendations

During the course of this audit, several areas were reviewed that yielded no recommendations. These are highlighted below:

- **Written Communications Plan:** Chardon LSD has written transportation guidelines (plan) which are updated every year to communicate the District's transportation program to employees and the community. This document educates the community on how the safe transportation of children is its top priority. In addition, other transportation information is shared, such as the total approximate number of miles driven by the District's school buses each year and that Chardon LSD transports about 85 percent of its total student population.

●   **Non-Routine Use:** Chardon LSD has policies and procedures for using school buses on non-routine trips. According to ODE, non-routine service typically makes up 10 percent of a district's annual miles. Chardon LSD's FY 2005 non-routine service represented 9 percent of its annual miles, similar to ODE's estimate, and the peer and similar district averages (8 percent for both).

Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following issues:

●   **Special Needs Transportation:** Chardon LSD uses one special needs bus to transport 17 special needs riders, and two other buses to transport special needs riders along with regular riders in order to maximize utilization of its buses. On its T-forms for FY 2004-05, the District also reported transporting nine special needs riders using privately owned vehicles and two special needs students using Board owned, other vehicles. According to the Transportation Supervisor, the District received two new vans through a grant for transporting special needs students, but indicated that the vans may not have been used during FY 2004-05 because they were purchased at the end of the school year. In addition, the District operates a separate department that handles IEP issues, including transportation, for special needs students, and consults with the transportation department regarding transportation related services provided to the IEP Students. According to the Director of this department, the District has established parent guardian contracts to help minimize transportation costs. However, the District did not report any parent guardian contracts in its T-1 form for FY 2004-05.

In FY 2004-05, the District reported spending $169,954 on special needs transportation and providing transportation services to 28 special needs riders, which resulted in an average special needs cost of $6,070 per rider. Although this is lower than Highland LSD ($6,450), it is higher than Anthony Wayne LSD ($5,488) and Canfield LSD ($4,972). The higher costs can be partially attributed to transportation services for a special needs student requiring a wheelchair. However, in addition to not reporting any parent guardian contracts, the District inaccurately reported its special needs expenditures in FY 2004-05 (see **R6.1**).

The District should improve its reporting process to ensure accurate and reliable data is available to assess its special needs transportation costs and operations. In conjunction with ensuring accurate and reliable data, the District should review methods to improve the cost-effectiveness of special needs transportation (e.g., increase use of vans).

Recommendations

Reporting

R6.1   **Chardon LSD should establish formal procedures for filling out District T-forms. This will help to ensure that reports are accurate, comply with ODE instructions, and are completed in a timely manner. Moreover, formal procedures will help to ensure that the District receives all eligible State reimbursements. Furthermore, the Transportation Supervisor and a representative from the Treasurer's Office should consider attending one of the ODE's free training sessions on completing transportation forms.**

The District does not have formal written procedures for completing T-forms. Rather, an informal process exists whereby the Transportation Supervisor works collaboratively with the Treasurer and Superintendent to compile and submit the information to ODE. According to the Transportation Supervisor, the District follows the T-Form instructions provided on the ODE website to complete the T-Forms. However, there were errors on Chardon LSD's T-Forms, which may suggest a lack of clear understanding on how the District should complete the forms. For instance, the District reported transporting nine special needs riders using privately owned, other vehicles (type VI) on its T-1 Form during FY 2005: however, it did not report the cost of this service ($54,728) on its T-2 Form. The District also reported transporting two special needs riders using Board owned, other vehicles (type V) on its T-1 Form, but did not report the cost on the T-2 form during FY 2005. **Table 6-4** illustrates the differences in actual expenditures as reported in the Uniform School Accounting System (USAS) and those reported on the T-forms for Chardon LSD, the similar district average, and the peer average.

Table 6-4: FY 2005 Transportation Expenditures

	Chardon LSD	Similar District Average	Peer Average
Expenditures as Reported on T-Forms			
Type-1 Expenditures on Form T-2 [1]	$1,960,187	$1,376,319	$1,602,970
Non-Type-1 Services Expenditures [2]	$64,303	$48,076	$58,117
Number of students receiving non-type-1 services	70	62	84
Total Expenditures From T-2 Form	$2,024,490	$1,424,395	$1,661,087
Total Reimbursement from ODE	$865,351	$709,832	$805,044
Actual District Transportation Expenditures as Reported on Financial Statements			
Total Actual Expenditures (USAS)	$2,230,759	$1,471,332	$1,684,286
Total Difference b/w Actual & T-2	$206,269	$46,937	$23,199
Total Percentage Difference	10.2%	3.3%	1.4%

Source: Ohio Department of Education.
[1] Type-1 services include transportation provided on district-owned yellow buses.
[2] Non-Type-1 services include transportation provided by outsourced yellow buses, public transit (e.g. taxis), district-owned vehicles other than yellow buses, or privately-owned vehicles.

As shown on **Table 6-4**, the expenditures reported on the T-2 forms were understated by 10 percent from the actual expenditures reported in USAS, which is significantly higher than both the similar and peer district averages. This is due, in part, to not reporting the special needs costs previously discussed for Type V and VI riders.

Without policies and procedures that identify the process for completing the T-Forms and for reviewing their accuracy and completeness, Chardon LSD risks submitting incorrect information. This could, in turn, result in the District not fully recouping the cost of providing transportation services and making management decisions based on faulty data.

Policy and Minimum Standards

R6.2 If the District continues to encounter financial difficulties, it should consider following the minimum requirements for student transportation. More specifically, Chardon LSD could choose to transport only school riders in grades K-8 who live more than two miles from school. However, prior to reducing transportation services, the Board and administrators should review strategies to improve efficiency and save costs without changing service levels (see R6.3), and carefully review the walking conditions throughout the District to ensure the safety of

students that would be forced to walk to school. The District should also work with ODE to determine any potential reductions in State reimbursement.

Additionally, the District should update its policy to reflect actual transportation practices, and identify specific, long-term safety hazards that exist within the District as well as the process for addressing temporary hazards. It should also review the transportation policy annually and amend it as necessary to reflect changes to service levels based on its financial condition, hazards, enrollment and pupil residence. See the human resources section for more information on Board policy review and development.

According to ORC § 3327.01, pupil transportation services must be provided to elementary students, grades K-8 who live more than two miles from their schools, while transportation for high school students is optional. This is conveyed in Chardon LSD's Board policies. Board policy also states that the District provides pupil transportation services to all elementary and secondary school students to the extent determined by the administration and approved by the Board. Board policy further indicates that the District may create exceptions based on hazardous walking conditions and assignment of students to alternate buildings to alleviate overcrowding. This has, in part, resulted in the District transporting students above the recognized State minimum standards. However, the District's current and historical practice is to transport all students (high school, middle school, and elementary school students) who live more than one mile from the school. This further contributes to service that exceeds minimum standards. For FY 2004-2005, Chardon LSD transported about 1,250 high school students. According to ODE's "Pupil Transportation Service Levels" (August 5, 2004), many school districts transport high school students as well as students who live closer than two miles from their assigned school.

According to the Superintendent, the Board solicits input from the community when updating or reviewing its transportation policy. The review committee is composed of the Transportation Supervisor, some members of the Board, some bus drivers, select members of the community, and the Manager of Operations who is also Chairman of the committee. The District's policy is not reviewed or updated every year; rather, it is done on an as needed basis (see the human resources section for further discussion of Board policy update and development).

Financial Implications: If the District decides to stop transporting 1,250 high school students, it would save approximately $588,000 annually by eliminating 12 buses. This is based on the average cost per bus and average number of riders per bus in FY 2004-05. However, this estimate may be overstated, assuming that the District reduces its lower tenured drivers. In addition, this would result in a cost avoidance of approximately $720,000 (average of $144,000 over five years) by not replacing the 12 active buses. The

District could also realize additional revenues depending on its success in selling these buses. Furthermore, according to House Bill (HB) 66 passed by the4 126[th] General Assembly, transportation reimbursements for FY 2005-06 and FY 2006-07 will be two percent higher than the prior fiscal year. Therefore, reducing transportation services should not impact transportation funding from ODE for these two fiscal years. HB 66 requires ODE to submit recommendations for a new transportation funding formula by July 1, 2006.

According to Chardon LSD, the number of students in grades K to 8 who live closer than two miles from schools and who were transported during FY 2005 is difficult to estimate because such records are not maintained. In addition, the District can not estimate the number of extra buses that were used to transport these students. As a result, the savings associated with reduced transportation service for these grades cannot be quantified.

Transportation Operational Efficiency

R6.3 **Chardon LSD should consider eliminating five of its older, higher-mileage, and more costly to maintain active buses and five bus driver positions by increasing the number of runs made per bus and, in turn, maximizing ridership per bus. This can be accomplished by staggering bell schedules at the elementary schools, determining whether the middle and high school bell schedules should be further staggered, and altering its routing accordingly. To help identify appropriate routing changes that increase efficiency and facilitate better monitoring of operations, the District should consider purchasing and using routing software. However, prior to purchasing routing software, the Manager of Operations and Transportation Supervisor should review multiple software packages and consult with the providers regarding the costs, benefits and features of the software. Regardless of the software package selected, training should be provided by the chosen vendor to ensure employees have the knowledge to operate the software efficiently.**

The District should also consider actively promoting payment-in-lieu of transportation agreements to aid in bus reductions (see R6.4). Lastly, the District should account for changes to its transportation policy (see R6.2), and enrollment trends and projections (see facilities) when altering its routes and making bus reductions.

According to the Transportation Supervisor, each bus completes two runs: one for middle/high school and one for elementary school students. This is evidenced by the District's route times and an effort to limit the length of a student's ride time to a maximum of 45 minutes. More specifically, 24 of the District's 35 active buses (69 percent) have morning route times between 2.5 and 3.0 hours. According to the

Transportation Supervisor, adjustments to the District's routes are made when student count changes result in ride times longer than 45 minutes.

The District does not use routing software. According to the Manager of Operations, the District knows about routing software, but decided it would not of value for transportation operations. The District has different start and end times for the high school and middle school, while all elementary schools start at the same time. According to the Transportation Supervisor, she is currently negotiating with other school administrators to consider staggering bell schedules for the elementary schools.

According to the article entitled "Schools Grapple with Soaring Fuel Costs" (2005), published by Education World, some school districts have resorted to using technology to monitor and organize their bus fleets. According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) Best Practices, the indicators for good route planning include the use of computer routing, if appropriate for the size and complexity of the district. They also include adopting staggered school start times to help ensure that the district's buses can serve as many students as possible (i.e., maximize the district's average bus occupancy); or, alternatively, demonstrating through a financial analysis that staggered school start times would not make student transportation more cost-efficient. Furthermore, one particular vendor indicates that users of its transportation software have saved up to 20 percent of their annual transportation budget, and that its software can identify the most efficient combination of stops, runs, routes and bell times in order to use fewer buses, travel shorter distances, and maximize capacity. For instance, the vendor indicates that its software can analyze changes of school bell times to maximize the effect of routing and bus use.

According to the article "Hidden Savings in Your Bus Budget" (December 2005), published by the American Association of School Administrators and authored by a private school transportation firm that conducts audits for more than 30 school districts including New York City and Kansas City, MO, "effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal." As shown in **Table 6-3**, Chardon LSD averaged close to 100 riders per active bus (98.1) and transported more riders per bus in FY 2004-05 when compared to the peer and similar district averages. However, based on each bus completing two runs, an 80 percent capacity use factor, and a rated bus capacity of 71 riders, the District should be transporting an average of 113.6 riders per bus. This is 15.8 percent more riders per bus than the District's average riders per bus ratio of 98.1 in FY 2004-05. Seventy-eight percent of the District's buses have a rated capacity of 71 riders, while 20 percent have a rated capacity of 77 or 78 riders.

Of the 20 districts used for comparison purposes in this report, four districts transported an average of more than 100 riders per bus, ranging from 100.7 to 121.8 riders per bus.

Although three of the four districts are much smaller in square mileage (18.4, 21.9, and 33.0 square miles) than Chardon LSD (75 square miles), Anthony Wayne LSD is similar in square mileage (73.9) and transported more riders per bus (106.1) in FY 2004-05 when compared to Chardon LSD. In addition, while Huron CSD is smaller in total square mileage, it transported a similar number of riders per square mile (50.1) as Chardon LSD (45.8), but significantly more riders per bus (121.8). Moreover, from FY 2003 to FY 2005, the total number of Type-I riders transported by the District decreased each year by an average of 5.1 percent annually, despite total student enrollment increasing each year at 1.2 percent annually during the same time frame. Although the District reported transporting a similar number of public school riders from FY 2002-03 to FY 2003-04, it reported transporting nine percent fewer public school riders in FY 2004-05.

By staggering bell schedules at the elementary schools and using routing software, the District could increase the number of riders transported per bus and, in turn, reduce the size of its fleet. Additionally, routing software could help the District identify other appropriate routing changes to optimize capacity usage and more efficiently monitor operations, especially when considering the large size of the District. If the District transported 80 percent of the rated capacity, it could reduce 5 active buses and related drivers. In order to provide a conservative estimate, this is based on a rated capacity of 71 riders, assumes that all active buses would complete only two runs, and excludes the one special needs bus transporting 17 special needs riders in FY 2004-05. To provide an alternative method of estimating bus reductions that is based on the District's actual average bus use rate of 69.1 percent in FY 2004-05, the District could operate with 5 fewer buses if at least 10 buses completed three runs and the remaining 20 buses still completed only two runs. The average bus use rate of 69.1 percent is based on a bus rated capacity of 71 riders and each bus completing two runs. Consequently, both of these estimates show strong potential for the District to operate with fewer buses.

Financial Implication: By reducing five bus drivers, the District would be able to save approximately $118,200 annually in salaries and benefits, based on the lower-salaried staff. The District would also save approximately $4,800 annually in bus insurance costs, based on the insurance cost per bus, for a total annual cost savings of approximately $123,000. Furthermore, reducing five buses would avoid approximately $300,000 in accumulated bus replacement costs, based on a cost of $60,000 to purchase a new school bus (see **R6.10** for bus replacement planning). The costs for purchasing routing software will depend on the specific system and vendor selected by the District. However, it can cost approximately $10,000 to $20,000 to purchase routing software, based on information provided by ODE and a vendor. This particular vendor also charges license and maintenance fees of approximately $2,500 annually.

Payment-In-Lieu-of Transportation

R6.4 **Chardon LSD should strive to increase the number of payment-in-lieu-of transportation agreements as an alternative to providing transportation. In order to maximize savings and in conjunction with reviewing routing practices (see R6.3), the District should establish payment-in-lieu of transportation agreements with riders that would enable reductions to its fleet (e.g., buses solely transporting non-public riders). Chardon LSD also should renegotiate its payment-in-lieu contracts with parents of Type-IV riders to decrease the per contract cost.**

In FY 2004-05, Chardon LSD had 59 payment-in-lieu of transportation riders. According to ODE, transportation services must be provided to community (charter) school students and non-public school students on the same basis that it is provided to public school students. However, as stipulated in ORC § 3327.01, a district's board of education is not required to provide transportation where it is impractical to do so by school conveyance (i.e., district-owned yellow buses). In determining whether transportation is "impractical," a board must consider the following factors:

- Time and distance required to provide transportation (ODE recognizes 30 minutes as a maximum benchmark);
- Number of pupils to be transported;
- Cost of related equipment, maintenance, personnel, and administration;
- Similarity or equivalence of services provided to other pupils who are eligible to receive transportation;
- Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and
- Whether other reimbursable types of transportation are available (e.g., Type-IV or payment-in-lieu).

According to ORC § 3327.02(C), once a determination of impracticality has been made, the board must offer payment-in-lieu of transportation to the pupil's parent/guardian. Payment-in-lieu riders and related-expenditures are classified as Type-IV on school district T-Forms. According to the Ohio Attorney General, a board of education may declare transportation "impractical," and make payments to parents/guardians in lieu thereof, only where the board has a legal obligation to provide transportation otherwise. A board may not declare high school transportation impractical due just to the lack of funds.

Table 6-5 compares Chardon LSD's Type-IV riders and expenditures with the similar school district and peer averages.

Table 6-5: FY 2004-05 Payment-in-Lieu Comparison

	Chardon LSD	Similar District Average	Peer Average
Total Type-I & Type-II Riders	3,434	2,660	3,201
Type-IV Payment-in-Lieu Riders	59	54	77
As a Percentage of Total Riders	**1.7%**	**2.0%**	**2.4%**
Type-IV Expenditures	$9,575	$8,032 [1]	$12,925
Per Type-IV Rider	**$162**	**$135** [1]	**$168**

Source: Ohio Department of Education

[1] Includes Type-IV riders and costs for only the 18 districts reporting both Type-IV riders and costs.

As indicated in **Table 6-5**, Chardon LSD payment-in-lieu riders comprised 1.7 percent of the total riders, lower than both the similar district and peer averages. In addition, although Chardon LSD's Type-IV expenditures per rider are lower than the peer average, they exceed the similar district average.

Chardon LSD payment in-lieu-of transportation agreements are all with non-public school students, similar to Anthony Wayne LSD, Canfield LSD, and Highland LSD. Additionally, 11 of the remaining 17 similar districts' payment-in-lieu of transportation agreements are all with non-public or community school students. In FY 2004-05, Chardon LSD used 5 buses to exclusively transport a total of 306 non-public school students. By actively promoting and establishing payment-in-lieu of transportation agreements to reduce these buses, along with reviewing its routing practices (see **R5.3**), the District could reduce its regular needs transportation costs.

Financial Implication: Based solely on the current 59 Type-IV riders in the District, a payment of $135 per rider (the similar district average cost) could save the District approximately $1,600 each year. The District can achieve additional cost savings by establishing payment-in-lieu agreements that enable it to reduce its rout times and fleet size (see **R6.3**).

Technology, Inventory and Internal Controls

R6.5 **The District should maximize the use of its fleet maintenance software, including the establishment of a comprehensive inventory program that tracks relevant information for equipment and parts as identified by the Public Works Management Practices Manual (PWMPM), including expected life and salvage value. Doing so would enable the District to more effectively evaluate the condition of its inventory. To consolidate its inventory tracking systems, the District should determine the feasibility of integrating its fleet inventory system with the State system that it is currently using to track physical assets.**

The District uses its fleet maintenance software to maintain and document vehicle-related inventory; schedule regular and preventive maintenance; track maintenance history for each school bus; and track fuel use and costs. However, the Head Mechanic, who uses and operates the fleet maintenance software, indicated that the District is not maximizing the functionality of the software. Based on the vehicle inventory reports provided by the District, the inventory documents the description, part code and location of the item, number in stock, average cost and total costs of items, date purchased and used, and parts by vendor. However, the inventory reports did not contain other relevant information, such as expected life and salvage value. The District's fleet maintenance software enables users to create customized fields for tracking purposes. Additionally, the District uses the State developed and supported Equipment Inventory System (EIS) to track physical assets (see **technology systems** and **financial systems** sections).

According to PWMPM, an inventory program should track the equipment, whether owned or leased, and include where and how the equipment is being used. Equipment inventories are needed for tools, portable and stationary equipment, fuels, liquids, and parts. PWMPM further indicates that the inventory should include the assigned number, description, class, serial number to identify equipment, date purchased, vendor, cost, using department, date of use, expected life, salvage value and present mileage.

Not maximizing the functionality of the fleet maintenance software hinders the District's ability to improve general efficiency, effectively analyze the condition of its inventory, and maintain comprehensive data to make fully-informed decisions about its fleet and related equipment (e.g., decisions about when to replace vehicles and equipment – see **R6.10** for replacement planning).

R6.6   Chardon LSD should establish formal policies and procedures that outline the tracking and use of fuel, including policies that indicate who can access fuel and explicitly prohibit the personal use of fuel and vehicle parts. This will help the District monitor fuel use and better ensure all fuel and parts are used only for its fleet. Likewise, the District should establish formal policies and procedures for the environmentally sound disposal of materials.

The District lacks formal policies and procedures stipulating who has access to the fuel tanks, explicitly prohibiting personal use of fuel and vehicle parts, outlining the tracking process for fuel, and identifying an environmentally sound disposal method for parts and materials. The District has two central fuel tanks for school buses and all the buses use only diesel fuel. The tanks can hold 8,000 and 6,000 gallons, respectively. Chardon LSD tries to ensure appropriate fuel use by restricting access to the fuel tanks to two individuals, including the person who fuels and washes all the school buses, and a driver from the maintenance department who drives the only diesel utility truck used in the District. These two individuals are required to submit logs to account for the fuel used.

The head mechanic monitors the fuel inventory through the preventative maintenance system and reorders fuel as needed.

According to the Transportation Secretary, the District has a waste fluid container where all the fluid removed from vehicles is dumped and has an arrangement to have the container emptied about once every three months. The parts and materials which are not used are sold for scrap metals. According to Public Works Management Practice Manual, an agency should establish controls for the disposal of oil, tires, batteries, and other parts and materials. Recycling or reuse of parts and materials should be implemented.

Establishing formal policies and procedures for the above areas would improve Chardon LSD's internal control environment and increase awareness of these District processes.

Purchasing/Bidding Procedures

R6.7   At a minimum, the District should adhere to Board policy by comparing prices from at least three fuel suppliers, including consortiums, prior to making purchases. Although the District maintains competitive fuel pricing, it should consider seeking competitive bids or issue RFPs to multiple vendors for the procurement of fuel and periodically compare prices to determine whether it should consider becoming a member of other fuel purchasing consortiums (e.g., Ohio Department of Administrative Services). The District should do likewise when purchasing transportation-related supplies. Regardless of which suppliers are chosen, the District should formalize its agreement via a contract to minimize risk and better ensure mutual adherence to established expectations for service.

Chardon LSD should develop formal processes for requests for proposals (RFP) and requests for qualifications (RFQ) for all District departments. This would better ensure accountability, continuity, and the selection of quality vendors. Upon developing formal policies and procedures, the District should provide periodic training for all department heads and supervisors on its purchasing policies and procedures. The District should also work with its Legal Counsel to develop appropriate RFP and RFQ templates and identify key items for inclusion, such as terms, conditions, evaluation process, performance expectations, and reporting requirements. In order to better ensure that items are purchased in a competitive environment, the Board should consider adding another threshold to its purchasing policy (see facilities for more information).

Board policy requires competitive bids for construction, demolition, or other building improvement contracts that exceed the amount established by State law, which is $25,000 according to ORC Section 3313.46. Board policy also requires three price quotes for purchases over $5,000 but under $25,000. However, the District lacks a formalized

process for developing RFPs and RFQs, which could potentially expose it to increased liability, poor workmanship, unfinished jobs, and higher costs. See the **financial systems** section for additional discussion on District-wide purchasing policies and procedures.

Although the District is a member of the Ohio Schools Council (OSC) consortium for fuel purchases, it instead has used a local supplier to provide fuel for the past three years. According to the Transportation Supervisor, the local supplier is more economical than OSC. In addition, the District does not obtain formal bids for fuel purchases. Instead, the Head Mechanic places calls to area vendors to find the cheapest fuel and supply deals available. According to the Transportation Supervisor, the Head Mechanic writes down and maintains the price quotes for fuel purchase. However, the documentation provided by the District indicates that Chardon LSD compared prices from only two fuel suppliers, contrary to Board policy which requires three price quotes for purchases exceeding $5,000. Invoices for fuel purchases from April to June 2005 show that fuel purchases exceeded $5,000 per order. In addition, no documentation of price quotes exists for purchases of parts and supplies since these are usually small retail purchases done on as needed basis. Therefore, supply and material purchases may not be obtained in a competitive environment, particularly those under $5,000 as allowed by Board policy.

Furthermore, Chardon LSD does not have formal contracts for equipment, fuel and parts because of its belief that it can always obtain these items either by patronizing familiar vendors by an unwritten contract, or calling around to get a fair price each time these supplies are needed. The District attempts to minimize its fuel-related costs by maintaining two centralized fuel tanks on site, purchasing fuel in bulk, and submitting appropriate documentation for refunds. The District receives reimbursement from the Ohio Department of Taxation (ODT) for fuel taxes paid.

Table 6-6 compares Chardon LSD's fuel expenditures to similar districts and peer districts.

Table 6-6: FY 2005 Type 1 Fuel Expenditure Comparison

	Chardon LSD	Similar Districts	Peer Average
Total Buses	40.0	36.7	42.0
Routine Miles	451,980	416,179	489,600
Fuel Expenditures	$149,214	$123,943	$171,824
Per Bus	**$3,730**	**$3,377**	**$4,091**
Per Routine Mile	**$0.33**	**$0.29**	**$0.35**

Source: Ohio Department of Education

As indicated in **Table 6-6**, Chardon LSD's fuel expenditures per bus and mile are higher than the similar district average, but lower than the peer district average. In addition, based on comparing fuel prices for the dates the District purchased fuel from its supplier

to OSC's prices for the same dates in April, March and June of 2005, the District's price per gallon was either the same or lower than OSC's prices by less than one percent.

Seventy-three organizations participated in OSC's Cooperative Purchasing Program in FY 2004-05, which includes fuel. Additionally, the Ohio Department of Administrative Services (ODAS) Office of State Purchasing uses a bidding process to purchase gasoline and diesel fuel. In accordance with Ohio Revised Code (ORC) § 125.04, the ODAS director may permit a county, township, municipal corporation or school district to participate in contracts into which ODAS has entered for the purchase of certain supplies, services, materials, and equipment. The State contract rate for diesel fuel fluctuates weekly based on the wholesale rate (rack rate) published in the *Oil Price Information Service*. The formula for fuel purchases stated in the contract is based on the weekly rate plus regional delivery cost differentials and applicable taxes. If the District chooses to use the State contract, there will be additional cost of approximately $110 annually to join the State cooperative. However, according to ODAS, school districts who are members or those that decide to join the Cooperative Purchasing Program during FY 2006 do not have to pay the annual fee of $110 for this school year. Such districts are required, however, to pass resolutions that allow enlistment with the program. Although the District maintained competitive fuel prices from April to June 2005, participating in consortiums could result in more competitive prices in the future via economies of scale.

Table 6-7 compares transportation related supply expenditures to the similar district and peer averages.

Table 6-7: FY 2005 Transportation Supplies Expenditure Comparison

	Chardon LSD	Similar Districts [2]	Peer Average
Total Buses	40.0	36.2	42.0
Routine Miles	451,980	413,081	489,600
Total Supply Expenditures [1]	$50,946	$37,758	$83,313
Per Bus	**$1,274**	**$1,043**	**$1,984**
Per Mile	**$0.11**	**$0.09**	**$0.17**

Source: Ohio Department of Education
[1] Supply expenditures include maintenance supply costs, and tires and tubes.
[2] Only includes 19 districts because one district did not separately report supply expenditures.

Table 6-7 illustrates that Chardon LSD exceeded the similar district average in total transportation-related supply expenditures per bus and per mile, while it fell well under the peer average total expenditures per bus and per mile. Although Chardon LSD's higher supply expenditures per bus and per mile when compared to the similar district average can be attributed, in part, to the condition of the buses (see **R6.9** for maintenance and repairs, and **R6.10** for replacement planning), they may also be due to requiring price quotes only for purchases exceeding $5,000.

According to the Voinovich Center for Leadership and Public Affairs' *Contract Management Manual*, a contract creates obligations binding upon the respective parties and must clearly state responsibilities as they relate to the scope of the work to be performed, the deliverables, the results to be obtained, the reporting requirements, the performance monitoring activities, and the price and payment methodology. The purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community.

Determining whether to solicit competitive bids/quotes, RFPs, or RFQs will likely depend whether the District is purchasing a good or service, as well as the types of goods and services purchased. For example, the Voinovich Center for Leadership and Public Affairs' *Contract Management Manual* indicates that an RFP is a form of a bid, and is generally used for services that cannot be summarized in written bid specifications. It recommends numerous elements for inclusion in an RFP, including the following:

- Time table for the RFP process;
- Request that vendors submit a budget for the project or service;
- Detailed description of the services that will be performed under the contract;
- Vendor disclosures and a conflict of interest statement;
- Disclaimer indicating that the contracts resulting from the proposals are contingent on the availability of funds;
- Proposal delivery date, time, and address;
- Description of the evaluation process for proposals;
- Terms and conditions;
- Vendor project requirements and qualifications;
- Project deliverables, including performance expectations; and
- Reporting requirements.

The *Contract Management Manual* also indicates that a team should be formed to conduct advanced planning for an RFP, and a team leader should be identified to manage the effort of creating an RFP and determining the evaluation process. In creating the evaluation criteria, the team should identify the significant points in the RFP to evaluate and assign relative weights to each point. The team also needs to develop a system for scoring the proposals. Additionally, a team should be identified to evaluate the proposal submissions, which may be the same team that conducted the advanced planning. Furthermore, one person should be appointed as the contact for potential vendors to ensure consistency in responses.

In order to aid in the evaluation process, the *Contract Management Manual* provides the following sample evaluation criteria:

- Responsiveness to all items listed in the RFP;
- Relevance of services to be provided;
- Clarity and measurability of proposal to provide services;
- Continuous improvement strategy;
- Corporate capabilities; and
- Budget and cost-effectiveness.

According to the Texas Education Agency, a RFQ specifies the terms, conditions, work history, evaluation criteria, and scope of the work to be provided.

By developing formal contracts with suppliers, establishing formal policies and procedures for RFPs and RFQs, obtaining formal bids for fuel and appropriate supply purchases, and adopting another threshold in its purchasing policies, the District would have a higher level of assurance that it is receiving the "best" price for its purchased goods and services.

Financial Implication: If Chardon LSD can reduce its supply expenditures per bus to a level commensurate with the FY 2005 similar district average ($1,043), it could achieve annual cost savings totaling $9,200.

R6.8   **Chardon LSD should establish a formal policy on soliciting competitive pricing (i.e., RFPs) for the vehicle liability insurance program. The District should also review its coverage levels according to its risk tolerance level, and discuss them with its insurance provider prior to making any plan changes. While making changes (e.g., increasing deductibles) would reduce premium costs, the District would expose itself to greater risk, liability and costs if it needed to file a claim.**

Although the District's insurance costs were competitive in FY 2004-05 based on peer and similar district comparisons, the District should explore other cost-effective insurance programs. For example, Chardon LSD should review costs and coverage levels in OSC's fleet insurance program or another relevant consortium to determine whether it would be more cost effective than its current insurance plan.

Pursuant to ORC §§ 3327.09 and 3313.201, boards of education are required to obtain motor vehicle liability insurance for the benefit of board employees who operate a school bus, motor van, or other vehicle used in the transportation of school children. The liability insurance must insure against injuries to persons and property and be in an amount not less than $100,000 per person, $300,000 per occurrence, $50,000 to cover property damage, and $3,000 to cover medical payments. However, the board may, at its

discretion, supplement such liability insurance with policies of insurance for collision, comprehensive, and uninsured motorist coverage. Under ORC Section 3313.203, liability insurance may be purchased for both bus drivers and volunteer bus rider assistants in whatever amounts the board deems necessary.

Chardon LSD's bus insurance coverage appears to exceed State minimum requirements. Specifically, the District maintains comprehensive and collision coverage, as well as coverage for uninsured motorists. In addition, the District insures all its buses with "replacement costs" so that in the event of accidents, the buses will be fully replaced. While this helps to minimize the risk of liability, insurance coverage above State minimum standards may result in increased premiums and additional expenditures. According to the Treasurer, Chardon LSD decided to purchase this type of insurance after it lost six of its buses in a garage fire a few years ago. Since it had only the State minimum liability insurance coverage at the time, these buses were not paid for by the insurance companies. The District would have had those six buses fully replaced if it had the current replacement cost coverage at the time. For instance, in FY 2005, Chardon LSD experienced another fire that destroyed one of its buses, the insurance paid approximately $59,000 for the replacement and the District used this money to purchase a new bus.

Insurance coverage may be obtained from an insurance company licensed to do business in Ohio or from a self-insurance or joint self-insurance program. However, if a board of education is seeking coverage from an insurance company and finds that it is unable (as certified by the State Superintendent of Insurance) to obtain insurance in the required amounts by ordinary means through insurance companies authorized to do business in Ohio, the board may obtain the next highest amounts of insurance reasonably available. According to the Treasurer, Chardon LSD hired an insurance consultant who regularly solicits competitive bids or issues RFPs, and screens insurance companies for the best price for the District.

Chardon LSD has a general purchasing policy, but it does not have a formal policy regarding insurance procurement. **Table 6-8** compares Chardon LSD's bus insurance expenditures with those of the similar districts and peer averages for FY 2005.

Table 6-8: FY 2004-05 Insurance Expenditure Comparison

	Chardon LSD	Similar District Average [1]	Peer Average
Buses	40.0	36.2	42.0
Bus Insurance	$38,196	$34,434	41,371
Per Bus	**$955**	**$951**	**$985**

Source: Ohio Department of Education
[1] Only includes 19 districts because one district did not separately report insurance expenditures.

As shown on **Table 6-8**, Chardon LSD's per bus insurance cost was comparable to the similar district average and three percent below the peer district average.

In addition to its Cooperative Purchasing Program, OSC offers a fleet insurance program, which comprises 41 districts and insures over 1,900 vehicles in FY 2004-05. Although the Districts maintained competitive insurance costs in FY 2004-05, OSC or another relevant consortium may be able to offer bus insurance at a lower cost to the District in the future while maintaining current coverage levels. This is based on economies of scale.

Maintenance Operations

R6.9   The District should consider reducing 1.0 FTE mechanic position, which is consistent with reducing its fleet (see R6.3), effectively planning for bus replacements (see R6.10), and increasing the use of its fleet maintenance software (see R6.5). Furthermore, the District should eliminate the fueler/washer/mechanic helper position, as these duties can be transferred to the bus drivers or mechanics. In order to reduce overtime costs, the District should adjust schedules to cover for planned absences and consider requiring the Head Mechanic to cover for other mechanics' leave only when absolutely necessary. In addition, taking measures to address the District's high sick leave usage could help reduce the need for the Head Mechanic to incur overtime to cover for absences (see human resources). In future labor negotiations, Chardon LSD should consider eliminating the mechanic standby clause which would also reduce overtime costs, and seek to address the high mechanic salary levels (see the human resources section).

Chardon LSD employs three mechanics who maintain and repair school buses. In addition, the District uses FleetWise VB software to schedule all routine maintenance and repairs. Furthermore, the District formally requires its drivers to conduct preventive bus inspections and make reports on a daily basis. In accordance with OAC 3301-83-11(B), inspections are made on a number of areas, including, but not limited to, warning lights, doors, engine performance, fuel, mileage, and tires.

Table 6-9 compares Chardon LSD's vehicle maintenance and repair-related expenditures to the peer and similar district averages.

Table 6-9: FY 2004-05 Vehicle Maintenance and Repairs Expenditures

	Chardon LSD	Similar District Average [5]	Peer Average
Mechanics	3.0	2.3	2.3
Buses Maintained[1]	40.0	36.2	42.0
Per Mechanic	**13.3**	**15.6** [5]	**18.3**
Annual Miles [2]	451,980	413,081	489,600
Per Bus	**11,300**	**11,411**	**11,657**
Personnel Expenditures[3]	$160,303	$90,384	$92,682
Per Bus	**$4,008**	**$2,496**	**$2,207**
Per Mile	**$0.35**	**$0.22**	**$0.19**
Maintenance and Repairs Expenditures [4]	$154,445	$123,847	$190,582
Per Bus	**$3,861**	**$3,420**	**$4,538**
Per Mile	**$0.34**	**$0.30**	**$0.39**
Total Expenditures	$314,748	$214,231	$283,264
Per Bus	**$7,869**	**$5,916**	**$6,744**
Per Mile	**$0.70**	**$0.52**	**$0.58**

Source: Ohio Department of Education
Note: In cases where a peer district has zero value, it was excluded in the peer average calculations. Also, mechanic helpers were included as "mechanics" if their average salary was similar to the reported mechanics.
[1] Includes spare buses because these contribute to overall operating costs.
[2] Excludes non-routine miles because related expenditures are non-reimbursable and should not be reported.
[3] Includes mechanic and mechanic helper wages.
[4] Includes maintenance, repairs, maintenance supplies, tires, and tubes.
[5] Only includes 19 districts because one district did not report any personnel and maintenance expenditures.

As **Table 6-9** shows, Chardon LSD's total expenditures per bus and per mile exceed both the similar district and peer averages, primarily due to personnel expenditures. Chardon LSD's personnel expenditures exceed the peer district average per bus and per mile by 82 percent and 84 percent, respectively; and the similar district average per bus and per mile by 61 percent and 59 percent, respectively. The higher personnel costs are attributable to higher mechanic staffing levels, overtime usage, and higher salaries.

Chardon LSD employs approximately 0.7 FTE more mechanics than both the similar and peer district averages. Mechanic staffing for Chardon LSD consists of one head mechanic and two regular mechanics. The head mechanic works from 5:30 a.m. to 2:00 p.m., while the other mechanics work from 8:00 a.m. to 5:00 p.m. In addition to the three mechanics, the Transportation Department employs 1.0 FTE bus washer/fueler/mechanic helper position at a salary of approximately $20,000. In contrast, only 7 of the 20 peer districts reported mechanic helpers (four additional districts reported mechanic helpers, but they were included as mechanics in **Table 6-9** based on the reported salaries from the T-2 forms). Additionally, the average salary expense for the mechanic helpers reported by these seven districts was approximately $7,700 in FY 2004-05. By comparison, Chardon LSD's mechanic helper's total salary was approximately 1.6 times higher than the average of these seven districts in FY 2004-05.

As seen in **Table 6-9**, Chardon LSD's mechanics have a lower workload, which is indicated by the District maintaining and repairing 15 percent and 27 percent fewer buses per mechanic, when compared to the similar and peer district averages, respectively. The lower bus and miles per mechanic ratios can, in part, be attributed to the condition of its current fleet and the lack of bus replacement planning (see **R6.10**). According to the Transportation Supervisor, the mechanics spend a significant amount of time repairing older buses. The Transportation Supervisor and Manager of Operations indicated that the Transportation Department does not usually receive the funds needed to replace old buses. According to the Manager of Operations, the District has buses in its fleet that are worth only about $2,000 each, but that cost approximately $5,000 annually to repair and maintain. Furthermore, the District does not use all of the capabilities of its fleet maintenance software (see **R6.5**).

Reducing 1.0 FTE mechanic position and 1.0 FTE washer/fueler/mechanic helper position would reduce the District's total expenses per bus to $6,202 and per mile to $0.55, which would be lower than the peer average but still higher than the similar district average. In addition, employing only 2.0 FTE mechanics would increase the number of buses per mechanic to 20, which would be higher than the similar district and peer average ratios. However, reducing 5 of the District's older, higher mileage buses (see **R6.3**) would result in a bus per mechanic ratio of 17.5, higher than the similar district average but lower than the peer average.

In addition to higher bus driver salaries (see **human resources**), mechanics have higher average salaries ($38,091) compared to the similar and peer district averages ($35,403 and $35,500, respectively). Further, Chardon LSD's mechanics incur a considerable amount of overtime. For instance, each mechanic averaged approximately $8,000 in overtime earnings, while each bus driver averaged only about $472 in overtime during FY 2004-05.

According to the Transportation Supervisor, if either of the regular mechanics misses work, the Head Mechanic usually covers for the duration of absence. As the Head Mechanic's normal ending time is 2:00 pm and the regular mechanics' normal ending time is 5:00 pm, this results in the Head Mechanic working three hours of overtime. The Transportation Supervisor also indicated that when the drivers are on field trips, a mechanic is usually assigned to be on "standby duty." Unlike the three peers' agreements, the District's classified collective bargaining agreement includes a standby duty provision for mechanics. The provision indicates that mechanics assigned to standby duty on Saturday or Sunday receive two hours pay at his/her appropriate hourly rate **per trip**; two hours at his/her appropriate hourly rate during the week; and a minimum of three hours when called out on the road to repair or service a vehicle. Although this provision stipulates pay based on the "appropriate hourly rate," the Transportation Supervisor indicated that the standby provision results in overtime for

mechanics. Assuming that the standby duty is in addition to the regular work day, the standby clause would result in overtime. According to the classified collective bargaining agreement, overtime pay is provided for work exceeding 8 hours in a day or 40 hours in a week. The overtime rate is defined as one and one-half times the regular pay rate, except on Sundays and holidays, when it is double the employee's regular rate.

Financial Implication: If the District reduced 1.0 mechanic FTE and eliminated the fueler/washer/mechanic helper position, it could realize an annual cost savings of $90,000 in salaries and benefits. Additional costs savings could be realized by eliminating the standby clause, reducing sick leave, and addressing salary levels.

Bus Replacement Planning

R6.10 Chardon LSD should establish a formal bus replacement plan to ensure that it is properly planning for the purchase of new buses. The District should create and periodically update a plan which establishes criteria for bus replacements based on economic modeling that allows for replacement at the most economically advantageous point. The plan should include the age, mileage, and condition of the buses based on maintenance records that include operating costs and results of safety inspections to determine the cost benefit of maintaining versus replacing each bus, and ultimately, the timing of replacement. In addition, District enrollment projections should be developed and maintained (see the facilities section of this report) to determine future fleet requirements. By developing a formal replacement plan, Chardon LSD will be better able to plan for future expenditures while maintaining a cost-effective bus fleet. Furthermore, reducing its fleet size (see R6.3) and rotating vehicles would help the District avoid bus replacements during the next five years.

As stipulated in ORC § 3317.07, school districts are entitled to a State subsidy for the purchase of school buses. The amount of this subsidy is determined in accordance with Ohio Administrative Code (OAC) 3301-85-01 which states, in part, that (1) the application for assistance for replacement school buses will be evaluated on the basis of need as determined by age, mileage, and cost of anticipated repairs and the replacement plan of the district and county board of mental retardation and developmental disabilities; and (2) school bus purchasing shall be in compliance with ORC Section 3327.08 and applicable parts of ORC Section 3313.46.

Table 6-10 summarizes the bus replacement subsidies received by the District from ODE since FY 2001-02 as well as the corresponding statewide total subsidies.

Table 6-10: Chardon LSD Actual Bus Replacement Subsidies FY 2002-05

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average Annual Change
Statewide Total	$27,551,459	$24,839,989	$12,383,972	$12,383,972	(18.4%)
Chardon LSD	$51,779	$50,557	$25,950	$25,930	(16.6%)

Source: Ohio Department of Education

Table 6-10 illustrates that Statewide, ODE bus replacement subsidies have decreased significantly (55.1 percent) since FY 2001-02. This has negatively impacted the subsidies that school districts receive annually by an average of 18.4 percent. Consequently, Chardon LSD has experienced an average annual percentage decrease of 16.6 percent since FY 2001-02.

Table 6-11 projects Chardon LSD's bus replacement subsidies over the next five years and assumes the current average annual percentage decrease (16.6 percent) remains constant.

Table 6-11: Chardon LSD Five-Year Bus Replacement Subsidy Forecast

	Projected FY 2005-06	Projected FY 2006-07	Projected FY 2007-08	Projected FY 2008-09	Projected FY 2009-10
Bus Replacement Subsidy	$21,626	$18,036	$15,042	$12,545	$10,462

Source: Auditor of State of Ohio

As seen in **Table 6-11**, assuming recent trends remain constant, the District's share of bus replacement subsidies will decrease significantly over the next five years. This, in conjunction with other factors, increases the need for formal bus replacement planning.

According to ODE, it typically costs about $60,000 to purchase a new school bus. Therefore, in FY 2005-06, the District's projected bus replacement subsidy ($21,626) will make up only about 36 percent of the total cost necessary to replace one bus. However, the District does not have a formal vehicle replacement plan in place, nor has it identified additional funding sources for the purchase of a bus. Rather, Chardon LSD has an ad hoc plan, which is subject to the availability of financial resources. According to the National Association of State Directors of Pupil Transportation Services (NASDPTS), establishing school bus replacement policies is an important activity, since it directly impacts the timeliness of introducing the latest safety, efficiency and emissions improvements into the fleet. The elimination of school buses that do not meet the latest standards or requirements must be planned for within a realistic number of years. Furthermore, the NASDPTS finds that the timely replacement of school buses must be a planned process and that funding availability is likely to be the single most important consideration in determining the replacement schedule. The NASDPTS also provides vehicle replacement best practices to assist districts.

In addition, the International City/County Management Association (ICMA) finds that a formal vehicle replacement plan should stipulate those criteria to be considered when making a replacement decision (e.g., minimum age and mileage requirements). The American Public Works Association (APWA) recommends that equipment be replaced at the most economical point in its life-cycle, referring to the length of time over which the average total unit cost is lowest. In addition to age and mileage requirements, economical replacement plans also consider total maintenance/repair and fuel costs.

The NASDPTS suggests that Type C (conventional buses) and D buses should be replaced after 12-15 years, and Type A and B buses (lighter duty design buses) after 8-12 years. It also indicates that the State of South Carolina believes that school buses should be replaced on a 15 year or 250,000 mile life cycle, based on the average mileage accumulated by school buses in the state. Regardless of age and engine type (e.g., diesel or gasoline), school districts can continue to use buses that pass State inspections and do not chronically inflate maintenance and repairs costs. **Table 6-12** forecasts when District buses will reach 15 years of age and 250,000 miles.

Table 6-12: FCSD Bus Replacement Age & Mileage Forecast

Model Year	Current Odometer (As of FY 2005)	Projected Replacement Year	
		250,000 Miles[1]	15 Years-Old
1987 Wayne	208,844	FY 2009	FY 2002
1991 Thomas	200,561	FY 2010	FY 2006
1991 Thomas	206,581	FY 2009	FY 2006
1991 Thomas	202,996	FY 2009	FY 2006
1991 Thomas	208,036	FY 2009	FY 2006
1992 Blue Bird	173,272	FY 2012	FY 2007
1992 Blue Bird	153,140	FY 2013	FY 2007
1994 Thomas	170,698	FY 2012	FY 2009
1994 Thomas	147,908	FY 2014	FY 2009
1994 Thomas	177,871	FY 2011	FY 2009
1994 Thomas	159,840	FY 2013	FY 2009
1994 Thomas	154,668	FY 2013	FY 2009
1995 Blue Bird	145,843	FY 2014	FY 2010
1995 Blue Bird	134,604	FY 2015	FY 2010
1995 Blue Bird	139,725	FY 2014	FY 2010
1997 Thomas	106,915	FY 2017	FY 2012
1997 Thomas	89,608	FY 2019	FY 2012
1997 Thomas	80,264	FY 2019	FY 2012
1997 Thomas	99,423	FY 2018	FY 2012
1999 Thomas	96,915	FY 2018	FY 2014
1999 Thomas	75,633	FY 2020	FY 2014
1999 Thomas	89,120	FY 2019	FY 2014
2000 Thomas	72,986	FY 2020	FY 2015
2000 Thomas	68,848	FY 2020	FY 2015
2001 Thomas	58,060	FY 2021	FY 2016
2001 Thomas	60,504	FY 2021	FY 2016
2001 Thomas	57,817	FY 2021	FY 2016
2002 Freightliner	53,268	FY 2021	FY 2017
2002 Freightliner	63,462	FY 2021	FY 2017
2002 Freightliner	64,418	FY 2021	FY 2017
2002 Freightliner	50,237	FY 2022	FY 2017
2002 Freightliner	48,796	FY 2022	FY 2017
2003 Freightliner	42,990	FY 2022	FY 2018
2003 Freightliner	45,539	FY 2022	FY 2018
2003 Freightliner	42,319	FY 2022	FY 2018
2003 Freightliner	24,835	FY 2024	FY 2018
2003 Freightliner	40,893	FY 2022	FY 2018
2004 Freightliner	13,363	FY 2025	FY 2019
2004 Freightliner	11,901	FY 2025	FY 2019
2004 Freightliner	15,237	FY 2025	FY 2019

Source: Chardon Local School District.
Note: All Chardon LSD buses use diesel fuel.
[1] Calculated by adding 12,318, which was the average number of total miles per bus in FY 2004-05, to current odometer totals for each passing year to predict when each bus will reach 250,000 miles.

As indicated in the **Table 6-12**, 15 buses will reach 15 years of age within the next 5 years, while 5 buses will reach or exceed 250,000 miles during the same period. In addition, the average mileage of the District's fleet is approximately 101,000 miles, much lower than a potential replacement threshold of 250,000 miles.

Table 6-13 shows Chardon LSD's replacement costs if it replaced buses that reached 15 years of age during the next five years.

Table 6-13: Chardon LSD's Ad Hoc Five-Year Bus Replacement Schedule

Assumes No Fleet Reductions	FY 2005	FY 2006	FY 2007	FY 2009	FY 2010
Number of Buses to be Replaced	1.0	4.0	2.0	5.0	3.0
Replacement Cost	60,000	$240,000	$120,000	$300,000	$180,000
Projected Bus Subsidy	$25,930	$21,626	$18,036	$15,042	$12,545
Projected District Cost	$34,070	$218,374	$101,964	$284,958	$167,455

Source: Auditor of State of Ohio

If the District only followed the 15-year criterion for bus replacements, it could expect to pay at least $806,821 for bus replacements over the five years – an average annual cost of $161,364. This also assumes that historical trends in ODE bus subsidies remain constant.

In addition to the current method of paying for buses, an alternative would be to participate in the Ohio School Bus Pooled Financing Program. This program was created by the Ohio Association of School Business Officials and private sector companies and allows school districts to do the following:

- Finance school bus purchases over a 5 to 10-year repayment period at the election of each school district;
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and
- Start immediately replacing the bus fleet without making a large lump sum capital outlay.

Based on the mileage guideline of 250,000, reducing five buses (**R6.3**) would enable the District to avoid replacing buses during the forecast period, as would potential changes to its transportation policy (see **R6.2**). For instance, the District could retire the 5 buses projected to reach or exceed 250,000 miles during the next five years. In addition, rotating its older and higher mileage vehicles to shorter routes and making other appropriate routing changes would further help the District avoid bus replacements during the forecast period.

Financial Implications Summary

The following table lists annual cost savings, accumulated cost avoidances, annual costs, and one-time implementation costs for recommendations contained in this section of the report. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications

Recommendation	Annual Cost Savings	Accumulated Cost Avoidance	Annual Costs	One-Time Costs
R6.3 Eliminate five buses by staggering bell schedules, using routing software, and optimizing routes	$123,000	$300,000	$2,500	$20,000
R6.4 Reduce cost of payment-in-lieu contracts	$1,600			
R6.7 Reduce supply costs	$9,200			
R6.9 Reduce 1.0 mechanic FTE and 1.0 fueler/washer/mechanic helper FTE	$90,000			
Total Financial Implications	**$223,800**	**$300,000**	**$2,500**	**$20,000**

Source: AOS Recommendations
Note: The District could achieve additional savings by reducing transportation services to State minimum standards (see **R6.2**). However, it is assumed that the District would pursue this option only if necessitated by its financial condition (see **financial systems**).

Appendix 6-A: Employee Survey Responses

AOS administered an employee survey of Chardon LSD to obtain employee feedback and perceptions concerning transportation services. One hundred and fifty-five (155) employees completed the survey. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 6-13** illustrates the results.

Table 6-13: AOS Facilities Survey Results

Survey Questions	Chardon LSD Results
1) **Effective communication of transportation policies and routes exists.**	
1) **Strongly Disagree**	2%
2) **Disagree**	3%
3) **Neutral/Not Sure**	14%
4) **Agree**	**37%**
5) **Strongly Agree**	18%
2) **Effective coordination of routes and special trips exists between departments.**	
1) **Strongly Disagree**	2%
2) **Disagree**	1%
3) **Neutral/Not Sure**	14%
4) **Agree**	**39%**
5) **Strongly Agree**	11%
3) **The transportation department provides timely transportation of students to and from school.**	
1) **Strongly Disagree**	1%
2) **Disagree**	3%
3) **Neutral/Not Sure**	5%
4) **Agree**	**56%**
5) **Strongly Agree**	26%
4) **The transportation department provides timely transportation to and from special events.**	
1) **Strongly Disagree**	1%
2) **Disagree**	3%
3) **Neutral/Not Sure**	6%
4) **Agree**	**50%**
5) **Strongly Agree**	21%
5) **The transportation department is effective in addressing complaints.**	
1) **Strongly Disagree**	3%
2) **Disagree**	2%
3) **Neutral/Not Sure**	16%
4) **Agree**	**30%**
5) **Strongly Agree**	12%

Survey Questions	Chardon LSD Results
6) **Transportation routes are completed with regard to the safety of the children.**	
1) **Strongly Disagree**	0%
2) **Disagree**	3%
3) **Neutral/Not Sure**	12%
4) **Agree**	**38%**
5) **Strongly Agree**	19%
7) **The attitude, courtesy, and work ethic of the transportation department are positive.**	
1) **Strongly Disagree**	3%
2) **Disagree**	5%
3) **Neutral/Not Sure**	17%
4) **Agree**	**41%**
5) **Strongly Agree**	14%
8) **Overall, the quality of all transportation services provided is good.**	
1) **Strongly Disagree**	1%
2) **Disagree**	1%
3) **Neutral/Not Sure**	12%
4) **Agree**	**53%**
5) **Strongly Agree.**	18%

Note: Due to some individuals not responding to a question, survey percentages will not add up to 100 percent

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Technology

Background

This section of the performance audit focuses on technology functions within the Chardon Local School District (Chardon LSD or the District). The objectives of this section are to assess staffing and technology support, planning and budgeting, policies and procedures, security, hardware and software, communications, network infrastructure, and professional development. The assessments were used to develop recommendations to increase the effectiveness and efficiency of technology utilization. Data from various relevant sources is used for comparisons throughout this section of the report, including Ohio's Biennial Educational Technology Assessment (BETA) survey, the Consortium for School Networking, and the International Society for Technology in Education. Furthermore, AOS administered a survey of Chardon LSD's employees regarding technology services and the results of the survey were used in this report. **Appendix 7A** at the end of this section contains the full results of the survey. One hundred and fifty-five (155) employees completed the survey.

Organizational Chart and Staffing

Technology implementation and support are managed by the District's Technology Department. The Technology Department's organization and staffing, in terms of full-time equivalent (FTE) employees, is shown in **Chart 7-1**.

Chart 7-1: Chardon LSD Technology Department Organizational Chart
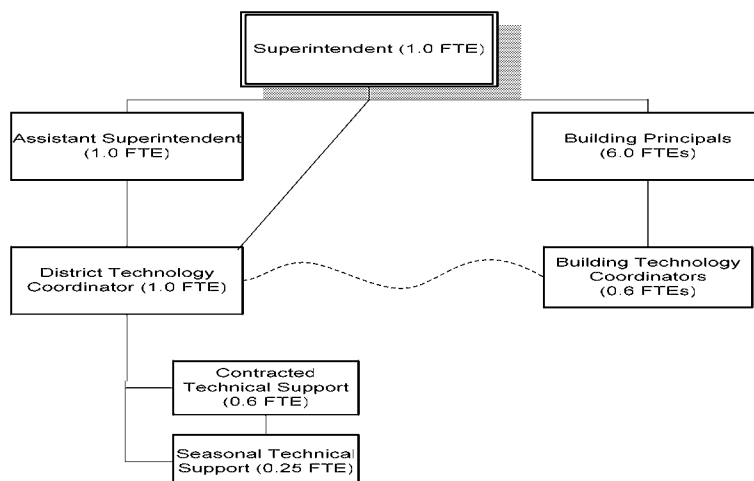
Source: Director of Educational Information and Technology Services – Chardon LSD
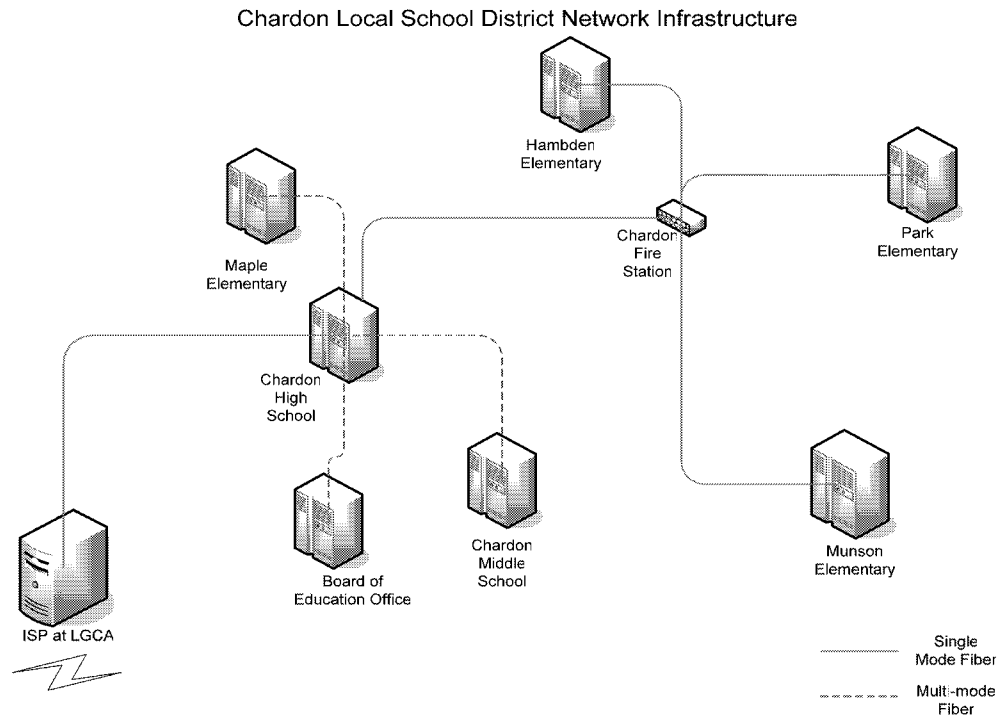
Chart 7-1 shows that the Technology Coordinator (TC) reports to both the Assistant Superintendent and the Superintendent, and building principals report directly to the Superintendent. The Technology Department currently consists of one full-time Technology Coordinator (TC), one part-time Contracted Technical Support (CTS) person working 24 hours per week, and nine Building Technology Coordinators (BTCs) compensated through supplemental contracts. The TC leads the District in creating strategies and actions plans for both academic and administrative technology. All BTCs are classroom teachers that work in conjunction with the TC to facilitate the use of District technology in their designated buildings. The 9 BTC positions yield 0.6 FTE. The total amount of the supplemental contracts being paid to the BTCs for the 2005-2006 school year is $21,876. The Technology Department also employs a Seasonal Technology Support (STS) position during the summer months when school is not in session. This employee is usually a high school or college student that helps build computer labs or assists the TC with hardware and software upgrades to District computers. The main responsibility of the CTS is to provide District-wide technology support for all desktop workstations, respond to trouble tickets, and follow-up on the progress of updated trouble tickets.

Summary of Operations

Chardon LSD developed a three year technology plan for FY 2004-2007. The plan contains District educational and operational goals and strategies, and addresses areas such as software, professional development, staffing, network infrastructure, and curriculum standards for technology. A committee comprised of the TC, administrators, and teachers developed the technology plan. The plan was approved by the Chardon LSD Board of Education. Information from this plan was used to develop the technology plan submitted to eTech Ohio.

The District has also established various policies to ensure privacy and appropriate use of technology. Students and staff are permitted to use technology only for District business purposes and policies state that personnel are not allowed to copy software or add software from outside sources. All internet users (and their parents, if they are minors) are required to sign a written agreement indicating that they will abide by the District's internet policies.

Key components of District technology operations include technical support, planning, policy development and enforcement, professional development, security, network infrastructure, communications, and budgeting for hardware and software equipment and maintenance. The TC has supervised the construction of the District's fiber-optic network, and there is sufficient bandwidth to meet the District's requirements. The District has all computers operating on Microsoft Windows, and the TC has eliminated the Microsoft and Macintosh combination. The District does not lease any T-1 connections, and uses both single mode and multi-mode fiber as the network link between buildings. All network connections are displayed on the network infrastructure map shown in **Chart 7-2**.

Chart 7-2: Chardon LSD Wide Area Network Diagram

Chardon Local School District Network Infrastructure

Source: Chardon Technology Coordinator

Chart 7-2 illustrates that the District has 100 Megabyte (MB) single-mode fiber running from the Internet Service Provider (ISP), Lake Geauga Computer Association (LGCA), to Chardon High School's MDF. The same 100MB fiber runs from the high school to Chardon's Fire Station, and then from the fire station to Hambden, Park, and Munson Elementary Schools.

Financial Data

The District's technology budget does not reflect the total cost of operating the Technology Department. Therefore, the following expenditures, obtained from the Treasurer, were identified as technology-related expenses for analysis purposes: salaries and benefits of the TC, the supplemental contracts for the Building Technology Coordinators (BTCs), and the expenditures associated with the Lake-Geauga Computer Association (LGCA) providing internet access to the District. Each of the District's buildings also have individual technology budgets for consumable supplies such as ink, CDs, or surge protectors that are included in the supplies and materials category (500s) for the purposes of this analysis. **Table 7-1** shows the total technology expenditures for the last three fiscal years as computed by AOS, based on the inclusion of all

technology-related expenses provided by the Treasurer and TC. Additionally, these technology expenditures are recorded in the District's General Fund.

Table 7-1: District Technology Expenditures

District Technology Expenditures by (Object Codes)	FY 2002-03	FY 2003-04	Variance	FY 2004-05	Variance
Salaries and Wages (100s)	$73,039	$79,097	8.3%	$83,109	5.1%
Retirement and Insurance (200s)	$19,333	$26,153	35.3%	$27,248	4.2%
Purchased Services (400s)	$42,476	$52,461	23.5%	$55,941	6.6%
Supplies and Materials (500s)	$44,195	$17,937	(59.4%)	$76,044	323.9%
Capital Outlay - New (600s)	$12,201	$6,744	(44.7%)	$787	(88.3%)
Capital Outlay - Replacement (700s)	$0	$3,466	N/A	$28,640	726.3%
Total	$191,244	$185,859	(2.8%)	$271,769	46.2%

Source: Technology expenditures were received from the Treasurer and Technology Coordinator.
Note: The expenditures on the BTCs positions are included in the 100 object code. The 400 object code includes the District's expenditures on internet access provided by LGCA. The e-Rate discounts are subtracted from the total LGCA internet access expenditure.

As shown in **Table 7-1**, the District's technology expenditures were the highest in FY 2004-05, increasing 46.2 percent from FY 2003-04. Significant expenditure variances from year-to-year are explained below:

- **Salaries and Wages** – The increase of 8.3 percent in FY 2003-04 is primarily due to increases in the TC's salary and paid leave time.

- **Retirement and Insurance** – The increase of 35.3 percent is attributable to increases in the District's retirement contribution for the TC's and health care costs. See the **human resources** section for further discussion of retirement contributions and healthcare costs.

- **Purchased Services** – The increase of 23.5 percent in FY 2003-04 is due to the District's CTS position. The District received a state grant (SchoolNet Plus) that offset a portion of the expenditures for the CTS position in FY 2002-03. The technology purchased services expenditures returned to the normal level in FY 2003-04.

- **Supplies and Materials** – The decrease of 59.4 percent in FY 2003-04 is due to reductions in peripheral technology purchases. More specifically, the District spent over $28,000 in peripheral technology purchases in FY 2002-03, such as VCRs, televisions, and overhead projectors. The District continues to transition to laser printers and eliminate more ink jet printers as the supply of cartridges runs out, which also contributes to the decrease in FY 2003-04. The large increase in FY 2004-05 is due to the Microsoft XP software upgrade for all high school computers.

- **Capital Outlay – New Equipment** – The decreases in both FY 2003-04 and FY 2004-05 are due to reductions in the Technology Department's budget for these types of purchases.

- **Capital Outlay - Replacement** – The increase in FY 2003-04 is due to replacing four computers. In FY 2004-05, 25 workstations were upgraded in a high school computer lab, accounting for the expenditure increase.

Noteworthy Accomplishments

During the course of the performance audit, the following practices were identified as noteworthy accomplishments.

- **Infrastructure:** The District's network and operating platforms conform to recommended practices by having Microsoft Windows running on total fiber connections. According to Total Systems Integration, Inc., fiber can easily provide up to 10 Gigabits per second (one billion bits of data per second), much higher than T-1 lines which provide 1.5 Megabits per second (one million bits of data per second). With implementing an all fiber network, the District also avoids annual costs related to leasing lines. Considering that the District uses less than 5 percent of its total bandwidth even during peak hours, the District maintains more than sufficient bandwidth to handle its daily operations. This provides high speed connections to all network users throughout all District buildings and enables the network to support a Voice over Internet Protocol (VOIP) system to reduce District telecommunications expenditures. VOIP allows users to make telephone calls using an internet connection instead of a regular telephone line.

- **Communication:** The District effectively and efficiently uses web technologies such as the Internet and intranet sites, as well as e-mail to improve and enhance communications between groups, such as schools, other districts, the State, parents, and the community. Chardon LSD administration continuously makes use of e-mail to supplement communication of policies and provide information to avoid the need for costly meetings. The District electronically posts Board approved policies and procedures on its website as well as Board agendas.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted on other areas within the technology section that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Infrastructure and Network Applications** - The District uses multiple network management tools to reduce the need to load and manage software on individual computers. This allows technology employees to automatically configure, update, and troubleshoot workstations and servers from remote locations, without having to visit each device. As a result, the District requires fewer technology staff to maintain its system. More specifically, the Consortium for School Networking (CoSN) publication, *A School Administrator's Guide to Planning for the Total Cost of New Technology* (2001), reports that according to some estimates, highly standardized networks can reduce the number of required support staff by a factor of ten. The TC is also efficiently deploying software to District computers through the use of Powerquest Drive Image Pro.

- **Use of Laser Printers** - 90 percent of the District's printer inventory is laser printers. The TC is trying to phase-out inkjet printers and transition to only laser printers.

- **Management Software** - The District uses State software applications as its primary source of management software. The State software organizes the fiscal management of the District with accounting information linked to purchasing, payroll, and physical asset valuation functions. In addition to fiscal management, the District uses the Education Management Information Service (EMIS) to report staffing and student information to ODE; Web-Based Student Information System (eSIS) linking the District's student services information to ODE; and an automated library system through Infohio. Furthermore, the District's major management applications properly integrate with each other. This was a primary objective of ODE when designing a State software package for school district reporting. This allows the District to transfer information from system to system without having to manually input data, which reduces duplication of effort. Also, Chardon LSD's management applications appear to be appropriate for the size and the needs of the District. The other management software applications used by the District are Microsoft Office programs, primarily Word, Excel, PowerPoint and Access.

- **Instructional Software Integration** – Based on the 2004 BETA survey, the District's teachers use technology for instructional purposes at a level comparable to the similar district and state averages.

- **IT controls** - The Information Systems Audit Section (ISA) of AOS has evaluated the District IT controls which were found to be adequate. The District has proper system controls to protect its system integrity.

Issues for Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that are outside the scope of the audit.

- **VOIP System:** All District buildings have access to telephone connections. However, all District classrooms are not currently equipped with telephone access. According to the 2004 BETA Survey, the percentage of District computer labs equipped with telephone access is lower than both the 20 similar district and state-wide averages. Although it has sufficient bandwidth to support it, the District does not operate a VOIP system and has not conducted a cost/benefit analysis to determine its feasibility.

  A VOIP system could provide an annual cost savings of approximately $26,500, based on telecommunication expenditures in FY 2004-05 and Total System's Integration Inc.'s estimated savings of 70 to 80 percent by centralizing telephone services on a network. However, the District would incur up-front costs related to installing such a system, and the costs would depend on factors such as its network infrastructure, number of buildings and needed phones, and the use of a competitive process for vendor selection (see **R7.4** for more information on competitive purchasing procedures). Additionally, the Federal Communications Commission (FCC) indicates that some VOIP service providers may have limitations to their 911 services and may not offer directory assistance or white page listings, and that some VOIP services do not work during power outages and the service provider may not offer backup power. However, the FCC indicates that these factors may change based on new technological developments, and recommends that entities check with potential services providers to confirm any limitations. Therefore, the District should conduct a cost/benefit analysis to determine the potential annual savings and service enhancements related to implementing a VOIP system throughout the District.

- **Distance Learning:** The District currently does not offer distance learning opportunities. In contrast, according to the 2004 BETA Survey, the 20 similar district and state average responses indicated that 16 and 17 percent of classrooms are equipped for distance learning, respectively. According to the Assistant Superintendent, the District will determine whether to implement distance learning during the strategic planning process that will take place in the 2006-2007 school year. The District should follow through in its proposed evaluation of distance learning programs.

Recommendations

Planning and Budgeting

R7.1   **Chardon LSD should complete a total cost of ownership (TCO) assessment of technology projects and purchases, and document them accordingly to inform the Board and District administration of the total potential costs related to technology projects and purchases. This would help better ensure that equipment purchases are appropriate and reflect the lowest or "best" cost, meet the needs of the District, and the District adequately plans and budgets for costs needed to support and maintain technology. To aid in calculating total cost of ownership, the TC should consider using the free web-based tool developed by the Consortium for School Networking and the Gartner Group, Inc.**

The District does not complete a TCO analysis or other assessment prior to making technology purchases, which is partially due to purchasing computers from one provider (see **R7.4**). In addition, the TC indicated that he spends the majority of his time providing support services.

According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), school districts should use the results of research and evaluations of previous decisions to identify technology that will best meet instructional and administrative needs. Also, school districts should consider future support, operating, maintenance, and disposal costs when it acquires technology.

According to the Consortium for School Networking (CoSN) report, *A School Administrator's Guide to Planning for the Total Cost of New Technology* (2001), total cost of ownership (TCO) includes all of the costs related to using and maintaining networked computers. The underlying idea behind TCO is that budgeting for technology should include not only the up-front purchasing cost, but also the ongoing costs for operating and maintaining the equipment. These costs include the following:

- Retrofitting,
- Professional development,
- Software,
- Support,
- Replacement costs, and
- Connectivity.

According to a TechSoup.com article entitled *Technology Budgeting Basics* (Kenyon, August 2000), one should consider the total cost of ownership when purchasing

computers. Only 30 percent of the total cost of owning a computer system is the initial purchase of hardware, software, and peripherals. Seventy percent of the ownership cost goes to technical support, training, and upgrades.

Without considering TCO, the District increases the risk of purchasing technology that it can not adequately support and maintain, and that does not meet its needs. This includes the likelihood of not providing sufficient training to staff in order to achieve the full benefits of technology. The Consortium for School Networking and the research and advisory firm Gartner, Inc. have developed a free web-based tool (www.classroomtco.org) to help school leaders understand all direct and indirect costs associated with operating school networks and ensure they have budgeted adequately to support technology investments. The District technology coordinator (TC) can initiate this process by inputting approximately 100 pieces of data into the tool to form the basis for the analysis. While there is no one "right" number for TCO, the tool allows district decision-makers to evaluate their own decisions over time, while also allowing them to compare their districts against other similar school districts.

R7.2 **Chardon LSD should revise its strategic technology plan by linking goals for the upcoming year to the technology budget and completing TCO assessments (see R7.1), thereby helping ensure its goals are realistic and achievable. The technology plan should also include a formal replacement cycle for computers (e.g., every five years), and measurable benchmarks and performance indicators for each strategy to better assess attainment of stated goals and strategies. Further, the technology plan should address staffing necessary to support its technology system (see R7.6).**

The District-wide five year strategic plan includes goals and objectives related to technology. Information from the five year strategic plan was used to develop the technology plan submitted to e-Tech Ohio. E-Tech Ohio's online technology planning tool (TPT) assists school districts with the development of a district-wide technology plan that not only meets state and federal requirements, and also leads to action and results within a proactive, strategic planning framework. The technology plan was developed by the District's Technology Planning Committee that consists of 11 administrators, teachers, parents, and local business owners. The leadership role and other key personnel are assigned to each goal. The progress of each of the goals is monitored and documented annually by the Assistant Superintendent and TC, and reported to the Superintendent.

While the District has identified resources and costs for each strategy in the plan, it has not funded each strategy through the budgeting process.. Further, the plan lacks identified benchmarks and contains performance indicators for some strategies that appear vague or are not presented in measurable terms. For example, while the District has identified grants as a performance indicator for obtaining alternative funding for

technology, it does not include a specific measure that would indicate attainment of that particular strategy (e.g., increases in number of applied for and obtained grants, percentage of expenses supported by grant funding, etc – see **R7.3** for more information on grants).

According to the *Texas School Performance Review* (2003), direct funding should be committed to each goal in a technology plan. Funds may have to be shifted or timelines stretched to fit, but these decisions should be the result of collaboration between the board and technical and managerial personnel. Furthermore, Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) best practices and indicators for technology planning include having plan goals and objectives that are measurable and a budget that provides funds for major technology initiatives as reflected in the technology plan.

Not linking the budget to goals in the technology plan potentially prevents the District from effectively implementing the plan. E-Tech Ohio's planning template includes a section (Phase VI) requiring the preparer to analyze previous technology expenditures, review and refine estimated costs, determine three-year line-item budgets, and identify potential funding sources. Additionally, excluding measurable benchmarks and performance indicators hinders the District's ability to gauge progress and determine achievement of stated goals.

Furthermore, the District's technology plan does not include a formal computer replacement policy. **Table 7-2** compares the makeup of instructional computers at the District to the 20 similar districts, as reported to e-Tech Ohio for the FY 2003-04 BETA Survey.

Table 7-2: Old vs. New Computers

Type of Computer	Chardon LSD	Percent of the Total	Similar District	Percent of the Total
Old[1]	283	66.1%	374	58.2%
New[2]	145	33.9%	269	41.8%
Total	**428**	**100.0%**	**643**	**100.0%**

Source: e-Tech Ohio 2004 BETA Surveys available online at https://www.etech.ohio.gov
[1]Old computers are classified as PC Pentium II and below and Macs
[2]New computers are classified as PC Pentium III and higher according to e-Tech Ohio BETA Surveys.

Nearly two-thirds of District computers are considered "Old," in comparison to the 20 similar district average of 58.2 percent. This potentially indicates that the District is not replacing computers in a timely fashion. According to Electronic-School.com in the article entitled *Technology's Real Costs* (1999)," the life cycle of even the most advanced multimedia computer is still only about five years. According to the Consortium for School Networking (CoSN) report, *A School Administrator's Guide to Planning for the*

Total Cost of New Technology (2001), a "TCO-savvy district" budgets to replace computers on a regular schedule, usually every five years. Lastly, according to Steven Moskowitz, in his article entitled *12 Steps to Trimming Your TCO* (2001), it costs more money in the long run to use older and ailing machines than it would cost to replace them at regular intervals, once the cost of replacement parts, labor and the loss of instructional time is considered.

Financial Implication: By replacing computers every five years, the District would incur costs of approximately $118,000 annually. This is based on the price of staff computers and the current number of computers (750).

R7.3   **Chardon LSD should seek additional technology grants and provide sufficient staff resources to monitor these grants. Specifically, Chardon LSD should consider centralizing the District-wide grant application and research process within one appropriate position. However, the TC should devote a portion of his time to identifying potential grant sources for technology, forwarding such information to the position responsible for applying and further researching grants, and coordinating with the centralized grant position as necessary in the process.**

The District has a limited focus on seeking technology related grants. **Table 7-3** breaks out the local, state, and federal funding sources the District used to operate the Technology Department for the last three fiscal years.

Table 7-3: District Technology Funding Sources

Funding Source	FY 2002-03	FY 2003-04	FY 2004-05	Three Year Average
Local Technology Grants				
Chardon Schools Foundation	$11,443	$3,509	$6,369	$7,107
Total Local Funding	**$11,443**	**$3,509**	**$6,369**	**$7,107**
State Technology Grants				
SchoolNet Plus	$48,022	$0	$30,135	$26,052
Ohio K-12 Network	$21,000	$18,000	$18,000	$19,000
SchoolNet Professional Development	$4,600	$4,140	$4,140	$4,293
E-Rate Reimbursements[1]	$17,216	$17,216	$19,099	$17,844
Total State Funding	**$90,838**	**$39,356**	**$71,374**	**$67,189**
Federal Technology Grants				
Title IID	$0	$2,730	$3,565	$2,098
Total Federal Funding	**$0**	**$2,730**	**$3,565**	**$2,098**
Total Technology Grant Funding	**$102,281**	**$45,595**	**$81,308**	**$76,395**
Total Technology Expenditures	**$191,244**	**$185,858**	**$271,769**	**$216,291**
Grants as a Percentage of Expenditures	**53%**	**25%**	**30%**	**35%**

Source: District Treasurer and Technology Coordinator, District 4502s
[1]The e-Rate reimbursements associated with the Technology Department have to deal with Internet Access; reimbursements for telecommunications are not included.

As illustrated in **Table 7-3**, the District has primarily used State grants to offset expenditures. In addition, the percentage of expenditures offset by grants decreased significantly from FY 2002-03 to FY 2004-05. The District obtained grants from various State and federal government sources for the last three years. However, the District has obtained grants from only one local source over the past three years. The reliance on State and federal government grants over local grant sources appears to be due, in part, to a lack of emphasis on grant funding. Specifically, according to the 2004 BETA Survey, the TC does not spend time writing grants, while TCs from the 20 similar districts averaged spending 2.1 percent or 43.7 hours of their time writing grants annually. Furthermore, the statewide average for TC time spent writing grants is 3.3 percent or 68.6 hours annually. The TC at Chardon LSD is responsible for seeking technology grants. According to the Treasurer, all administrators, supervisors, the Assistant Superintendent, Superintendent and Treasurer apply for grants.

According to the Texas School Performance Review (TSPR) 2003, aggressive pursuit of grants and other financial support is critical to funding school district technology programs. Hiring a full-time grant writer to aggressively pursue grant money is key. The position will often pay for itself many times over. In the Hamilton ISD in Texas, a district with fewer than 1,000 students, the part-time computer science teacher/technology coordinator found it difficult to teach and provide technology support. At TSPR's recommendation, the individual was made the district's full-time

technology specialist and was asked to spend spare time pursuing technology grants. In one year, the technology specialist was able to secure about $500,000 in additional grant funds. TSPR also indicates that centralized coordination of the grant writing process is also important

Policies and Procedures

R7.4 **The TC should compare prices from multiple suppliers and document the comparisons to ensure the District obtains the "best" price for technology purchases. Dependant upon formal price comparisons, the TC should consider purchasing technology supplies from consortiums like the Ohio Schools Council (OSC) and U.S. Communities (USC). The District should become a member of USC to be eligible to purchase technology supplies from this consortium. When appropriate, the District should solicit formal competitive bids, RFPs, or RFQs for technology-related purchases, and develop formal processes for RFPs and RFQs (see the transportation section for further discussion of RFPs and RFQs). In order to better ensure that items are purchased in a competitive environment, the Board should consider adding another threshold to its purchasing policy (see the facilities section for more information). Furthermore, the District should formalize its agreements with suppliers via a contract to minimize risk and better ensure mutual adherence to established expectations for service.**

Chardon LSD's technology purchasing practices are not aligned with its purchasing policies, and do not encompass a formal and documented competitive process (e.g, RFPs, RFQs, and competitive bids/quotes). Board policy requires competitive bids for construction, demolition, or other building improvement contracts that exceed the amount established by State law, which is $25,000 according to ORC Section 3313.46. Board policy also requires three price quotes for purchases over $5,000 but under $25,000. However, the District lacks a formalized process for developing RFPs and RFQs (see **transportation**). Board policies also state that the Treasurer is to assemble proper specifications and make necessary arrangements for public bidding and price quotations. The Treasurer is also to receive bids and price quotations and record them. However, the TC uses a different purchasing procedure, which is not formally documented.

All technology equipment requiring network connection must be approved by the TC. To purchase technology, the TC enters electronic requisitions into the system using the USAS software. Approval and fund certification of all technology requisitions are conducted in the Treasurer's Office, and a purchase order is then issued to the supplier. However, no requests for proposals (RFPs) or formal bids/quotes are sent to technology suppliers. Instead, the TC asks its current supplier to at least match or beat the prices of the name brand suppliers with the same equipment specifications. However, the TC does not maintain documentation of this purchasing process. Also, Chardon LSD does not

have a formal purchasing agreement with its current technology supplier, but the TC deals with the owner of the company directly.

According to the article "Seven Cost-Saving Strategies for the IT Funding Crunch" (2005) from E-School News Online, districts have numerous ways to save money on hardware and software purchases, including:

- Taking advantage of statewide contracts;
- Teaming up with neighboring districts for volume discounts or purchasing consortiums; and
- Leveraging academic pricing to achieve discounts.

Additionally, this article indicates that the Pittsburgh, PA School District enters into two-year agreements with Tier 1 vendors (e.g., Microsoft Corp and Adobe Systems) to reduce costs. A technology representative from this district also recommends establishing a personal relationship with account representatives. Of the items identified in the article, the District has established a relationship with account representatives.

By not purchasing technology products via consortiums or pooling resources with other districts to increase economies of scale and purchasing power, the District is not taking advantage of already negotiated prices that could be lower than those offered by its current technology supplier. For instance, the District is a member of the Ohio Schools Council (OSC). Seventy-three organizations participated in OSC's Cooperative Purchasing Program in FY 2004-05, which includes audio visual products. OSC, along with the Ohio Council of Educational Purchasing Consortia, joined forces with 17 other states to secure national pricing by forming the Association of Educational Purchasing Agencies (AEPA). Products available through AEPA include administrative software, copiers, and technology equipment and accessories included in a technology catalog. Furthermore, U.S. Communities: Government Purchasing Alliance (USC) is a nonprofit entity that assists public agencies in reducing the cost of purchased goods through pooling the purchasing power of public agencies nationwide. Key advantages of participating in USC include the following:

- Savings through no user fees or costs to participate, saves time and money, and frees resources for other public priorities, programs and services;
- Competitively solicited contracts;
- Nationally sponsored by leading associations and purchasing organizations;
- Directed by public purchasing professionals; and
- Aggregate purchasing power
  - o Combines potential purchasing power of up to 87,000 local agencies
  - o Expands purchasing choices beyond state boundaries
  - o Over 8,000 currently participating public agencies in 50 states

USC offers technology products such as computer hardware, software, and peripherals, as well as office/school supplies, janitorial supplies, office and school furniture, office machines, and auto parts and accessories. Chardon LSD is not a member of USC.

By developing formal contracts with suppliers, establishing formal policies and procedures for RFPs and RFQs, participating in consortiums and formally comparing pricing from multiple suppliers and consortiums, and adopting another threshold in its purchasing policies, the District would have a higher level of assurance that it is receiving the "best" price for its purchased goods and services. See the **transportation** section for more information on developing contracts with suppliers and a formal process for RFPs and RFQs, and the **facilities** section for adopting another threshold in the District's purchasing policies

R7.5   **Chardon LSD should document formal procedures for prioritizing trouble tickets for technology staff to better provide District-wide technology support. Furthermore, the District should develop and implement a survey measuring the performance of the technology support and reliability of its systems at the close of every trouble ticket. The data from the surveys should be compiled by a District employee not directly associated with the Technology Department. The survey data should be used for quality assurance purposes to evaluate the satisfaction of District technology support recipients. Along with using the results from the BETA survey and AOS survey (see Appendix 7-A), the District should review the information provided by the user surveys to make adjustments in its technology support strategy.**

The District does not have written procedures for prioritizing technical support and other technology functions. The TC is notified by pager of major technology problems that require immediate attention. The Building Technology Coordinators (BTCs) are the District's first line of technical support. The BTCs are classroom teachers with a supplemental contract to provide technology support. If a technology issue cannot be resolved by a BTC, a trouble ticket is entered into the electronic ticketing system. There have been approximately 1,100 trouble tickets entered into the system since inception approximately 2.5 years ago. Once trouble tickets are entered into the system, responses and updates made by the TC or the part-time contracted technical support (CTS) are communicated to the ticket-holder by e-mail.

Additionally, the District does not consistently track the performance of technology support. The TC uses the BETA reports to evaluate satisfaction levels with technical support. According to 2004 BETA Teacher Survey, 51 percent of the teachers that completed the survey reported receiving technology support within one day. This is higher than the similar district and state averages of 48 and 42 percent, respectively. In Chardon LSD's survey, 42 percent reported receiving technology support in two to five

days, also higher than the similar district and state averages of 38 and 41 percent, respectively. However, the BETA survey is conducted only once every two years and the 2004 survey may not reflect current levels of technical support performance.

The International Society for Technology in Education's *Technology Support Index Standards* (TSI) indicates that an exemplary technology practice is to use a trouble ticketing system to record and delegate technical issues to appropriate resources, and to track and evaluate all technical issues. TSI also indicates that measuring quality assurance by a random and automatic system that tracks customer satisfaction and closed tickets is an exemplary practice. With this system, data is collected throughout the year. Questions asked are specific to technical support and the data is used to make adjustments to technology support staff. In addition, TSI indicates that an exemplary technology system has a well-defined escalation process in place, with three or more steps of escalation and a clear path for resolution. According to OPPAGA's best practices and indicators for technical support, school districts should have procedures for a regular, systematic, and equitable prioritization of technical support services.

In response to the employee survey conducted by AOS (**Appendix 7A**), results from the survey show that 69 percent of the respondents agree that requests for assistance are answered in a timely manner, with 18 percent disagreeing. Conversely, only 58 percent of the respondents agreed that computer repair requests are answered in a timely manner, with 22 percent disagreeing. Sixty-three percent agree that technical assistance is easily accessible, with 24 percent disagreeing; while only 54 percent agree that computer repair services are easily accessible, with 22 percent disagreeing. Seventy-seven percent of the respondents agreed that the technology staff is able to solve computer hardware problems. Overall, 59 percent of respondents are satisfied with the technical assistance provided by the District, while 23 percent indicated dissatisfaction.

The lack of a documented methodology for prioritizing technical support could lead to ineffective delivery of technology support throughout the District. Without "real time" responses regarding technology support, the Technology Department cannot quickly identify problems or continuously improve methods for providing technical support. It could also lead to difficulty evaluating the performance of support staff and gauging customer satisfaction throughout the year.

Staffing and Organization

R7.6   **Chardon LSD should define its technical support staffing needs in its technology plan (see R7.2) and establish staffing benchmarks to adequately plan for the proper amount of technical support (e.g., maximum of 500 computers per technology FTE). Furthermore, the technology plan should clearly state how teachers obtain technical support, expected response times, and how students will be involved in providing**

technical support. Along with customer surveys (see R7.5), the District should track and use performance measures via its trouble ticketing system to help evaluate the performance of technical support staff. Future expansion of technology in the District should be tied to technology support staffing levels.

The TC should conduct performance evaluations annually on each BTC's building level leadership contributions. In addition to using the trouble ticketing system to obtain customer feedback for regular technology staff, the District should use it to compile feedback about the quality of services provided by BTCs (see R7.5). The performance evaluations and feedback should be considered when BTCs' supplemental contracts are renewed.

According to the TC, the Technology Department supports approximately 750 computers throughout seven District buildings. However, the District does not maintain an up to date electronic inventory that documents all of its computers. Instead, a physical inventory of all technology equipment is taken bi-annually for the BETA survey (see **R7.13** regarding inventory). The TC and Contracted Technical Support (CTS) provide the majority of the technology support for the District's current 750 computers. BTCs possess basic trouble-shooting skills as the first line of technology support for the District. BTCs assist other District employees in identifying technology problems, entering trouble tickets into the helpdesk system, and following up to resolve the trouble ticket once the CTS or TC has responded. However, BTCs do not have the ability to provide technology support for most hardware and software malfunctions. BTCs meet with the TC once a month to discuss problems and current technology issues. However, building principals supervise all BTCs, and the TC does not formally evaluate their performance. The Technology Department also employs a Seasonal Technology Support (STS) position during the summer months when school is not in session. This employee is usually a high school or college student that helps build computer labs or assists the TC with hardware and software upgrades to District computers. The TC directly supervises the CTS and the seasonal employees.

During the months school is in session, the District employs 2.2 FTEs (1.0 TC, 0.6 CTS and 0.6 BTS) to provide technical support, resulting in an average ratio of 341 computers per FTE. However, the District employs 1.6 FTEs (1.0 TC + 0.6 CTS) capable of providing comprehensive hardware, software, and network technical support to the District's 750 computers, which increases the a ratio to 469 computers per FTE capable of providing comprehensive technology support. According to the Consortium for School Networking (CoSN) report, *A School Administrator's Guide to Planning for the Total Cost of New Technology* (2001), a "TCO savvy district" provides computer support at a ratio of at least one support person for every 500 computers in a closely managed network environment. While both support staff ratios are under this benchmark, the current ratio of 469 computers per FTE that is capable of providing comprehensive

support is close to this standard's maximum. In addition, the TC indicated that the District is considering staffing reductions in the Technology Department. Depending on the depth of reductions, the District's ratio of computers per FTE that is capable of providing comprehensive support could exceed the standard. In addition, the Chardon LSD employee survey conducted by AOS shows that 45 percent of the respondents believe that there is not an adequate number of technology personnel to provide needed support, while 38 percent indicate that technology staffing levels are adequate (see **Appendix 7A**).

Also according to *A School Administrator's Guide to Planning for the Total Cost of New Technology* (2001), respondents identified four strategies for controlling technology support costs: limiting the ability of teachers and students to modify the way computers are configured; standardizing the model of computer used; shifting to a centrally-controlled district-wide network; and relying on teachers and non-technical support staff to provide support. The Guide also explains that school districts should plan for adequate technical support for hardware, software, and local and wide area networks. The technology plan should state how teachers obtain technical support; the expected response time; the number of full-time staff needed for technical support; and whether and how students will be involved in providing technical support. If technical support is to be provided in-house, districts are strongly encouraged to establish the maximum number of machines that each technical support person can maintain and ensure that as the amount of technology expands, the level of technical support is maintained according to the pre-determined ratio.

Although the District has implemented the suggested four strategies, it does not have a plan for adequate technical support for hardware, software and networks included in its technology plan, including a staffing benchmark for computers per support staff, the process for obtaining technical support, expected response times, and the involvement of students in providing support. Also, the District does not measure the effectiveness of its support staff by reviewing and tracking performance measures via its trouble ticket system (See **R7.5**), using measures such as the volume of calls for support, and timeframes for responding to service requests.

By failing to adequately plan for and formally defining technology support needs, the District increases the risk of not dedicating sufficient resources to support and maintain its technology system. This is particularly important based on the District's historical and projected steady growth in student enrollment (see the **facilities** section for more information). Continued growth in student enrollment could require the District to expand its technology and related support needs. In general, failure to link significant expansion in technology with increases in technology support could cause delays in providing support to users along with more frequent and longer durations of network downtime. This subsequently reduces access for teachers and students. Without

objective performance measures, the District could have difficulty evaluating the performance of technical support staff and ensuring high-quality and timely support services.

R7.7   **Chardon LSD should consider a program that trains interested students in technical support and allows the District to use these students to assist in supporting technology throughout the school year, but only in a peripheral manner and as part of their instructional program. To help implement an effective program, the District should review its current technology courses and the eTech Ohio database on school districts that have effectively used students to augment professional technical staff.**

The District uses student employees to support technology during the summer months, but has not established a student technology support program for the months that school is in session. The District does offer numerous technology courses to students at the high school and through the Auburn Career Center. According to the International Society for Technology in Education's *Technology Support Index*, school districts should design curriculum programs to train students in technical support, with students supporting technology only in a peripheral manner and as a part of their instructional program. According to the National School Boards Foundation survey *Are We There Yet* (2002) of 811 school districts, 54 percent of the school districts reported that students are providing technical support in their districts. Key duties included troubleshooting problems, setting up equipment/wiring, and technical maintenance. In addition, 48 percent of these school districts reported that they provide formal support training to students.

ETech Ohio has developed an online database that contains field-proven technology support where students augment technical staff in 30 districts, through its All Student System Interns Support Technology (ASSIST) program. ASSIST awarded 30 grants in FY 2002 to school districts using students in grades 5-12. Grant recipients were required to contribute to an Ohio SchoolNet web-based resource to be used by any school district wishing to establish a program that prepares students to be technical assistants. In particular, districts such as Tallmadge City School District and Woodridge Local School District were early implementers of this program. Several of the districts in the Northeast Ohio Network for Educational Technology were early implementers of the Technology Workforce Employment (TWE) program.

Training students in technical support functions helps the District prepare interested students for careers in technology and educates them in technology support and deployment, while allowing the District to use low-cost resources for some of its technology support needs. Further, it creates an opportunity for the District and students to work toward mutual goals within the venue of technology use and support activities.

Hardware & Software

R7.8   Chardon LSD should consider evenly allocating the number of computers to its school buildings, with a goal of maintaining an overall ratio of 5 students per computer. Additionally, the District should consider providing remote access to appropriate users.

The District network users are students, teachers, administrators, and clerical staff. The District has computers and printers in each building. The distribution of the District's instructional computers is displayed in **Table 7-4**, as reported in the 2004 BETA survey.

Table 7-4: Distribution of District Instructional Computers

School	2004 Students	Total Student Workstations	Students per Computer	Difference from School-Level Average
Hambden Elem.	286	73	3.92	0.06
Park Elem.	333	85	3.92	0.06
Maple Elem.	305	100	3.05	-0.81
Munson Elem.	412	88	4.68	0.82
Elementary Average	334	86.50	**3.86**	N/A
Chardon Middle	799	132	**6.05**	N/A
Chardon High	1,110	199	**5.58**	N/A
Totals/ Average Students per Computer	**3,245**	**677**	**4.79**	N/A

Source: 2004 BETA Building Survey Results

Ohio SchoolNet Plus maintains a general goal of supporting a student to computer ratio of 5:1 throughout grades K-12. As shown in **Table 7-4**, the District's overall ratio of 4.79 students per computer is meeting this goal. However, the ratios of students per computer are much higher in the high school and middle school, when compared to the elementary schools. This indicates that computers are not equitably allocated to the District's school buildings, especially when considering that the student enrollment for the middle school and high school accounts for 58.8 percent of the District's entire student population.

Based on the 2004 BETA survey, the District is comparable to the 20 similar district and the state-wide averages in providing access to the Internet, LAN and video in the computer labs, classrooms, and library/media centers. Survey results also indicate that the District's administrators, teachers, and students are provided network access to Internet and email accounts within the buildings. However, no District users have remote access to network Internet or shared drives. In contrast, the similar districts provided remote access to shared drives to an average of 22 percent of administrators, 14 percent of

teachers, and 8 percent of students. Statewide averages for remote access to shared folders decreased slightly to 17 percent of administrators and 5 percent of students, but were the same for teachers at 14 percent. This indicates that school districts are beginning to implement remote access capabilities to increase the accessibility options for networks users. By not offering remote access, Chardon LSD's users are limited to conducting network functions from within the District buildings.

R7.9 **The District should create a standardized hardware and software policy. This policy should include a list of uniform hardware and software products for the District to consider for technology purchases to avoid the costs of supporting multiple and disparate technology systems. This policy should also include or reference the documented procedures for selecting and purchasing hardware and software (see R7.4). In order to effectively research various software products, the TC should document and communicate the information that needs to be provided by requesting parties (e.g, functionality needs, goals, purpose of the software, etc.). Doing so would better ensure that the selected software meets the District's needs. Lastly, the policies and procedures, along with list of appropriate hardware and software, should be updated at least annually to keep pace with technological advancements.**

While the Technology Department has attempted to ensure uniformity in hardware purchases, the District does not have formal, uniform equipment standards. The Technology Coordinator (TC) follows the minimum equipment specifications set forth by eTech Ohio when purchasing new computers for the District.

The District also lacks written policies and procedures regarding the selection of instructional software. Without such policies and procedures, the District increases the risk of improper, incompatible, and varying software purchases. The District's informal process for purchasing software starts with an initial conversation between the interested party (administrator or teacher) and the Technology Coordinator (TC). The District's Curriculum Coordinator consults with the TC for assistance in matching the specifications of instructional software with the network requirements. However, the TC does not research the instructional software for student functionality or results. After details of the purchase are discussed, the TC conducts research on product specification, network compatibility, and pricing. The District does not send requests for proposals (RFPs) to software providers, and software price quotations are not received and documented (see **R7.4** for more information on purchasing).

According to the article *Seven Cost-Saving Strategies for the IT Funding Crunch* (E-School News Online, 2005), schools that standardize computer systems can reduce technology support and computer training costs. When everyone is working with the same software, it increases productivity between users, simplifies licensing, and makes

training easier. When a district uses one computer model, it pays less per unit, does not need to stock as many parts, and does not need to support a variety of models. There may also be some incentives and benefits related to manufacturer support.

Also, according to Technology Management, *12 Steps to Trimming Your TCO,* (Moskowitz, March 2001), hardware should be standardized as much as possible to reduce complexity. It is both easier and less expensive to support a limited number of applications and computing environments than it is to support several disparate systems. If end-users and technicians can be trained to work with a specific set of hardware, they will become familiar and proficient with the equipment in a shorter period of time. Hardware repairs can be simplified by reducing the number of vendors you have to deal with. Schools can also purchase spare computers that are interchangeable and keep them on hand, so end users can have replacement machines quickly.

By establishing policies for standardized hardware and software products, the District would better ensure uniform purchases of these products. It would also ensure that purchases are appropriate and functional for the District's users, and avoid the cost and time related to supporting a variety of products and systems.

R7.10 **The District should create documented guidelines and policies for acceptable technology donations. Doing so would ensure the compatibility and usefulness of equipment donated to the District while minimizing additional support costs. The District should consider posting the guidelines on the District website for potential donors and businesses that are locating within Geauga County. This would help eliminate any confusion on what types of equipment the District will accept.**
The Board has adopted a broad equipment donation policy, and the Technology Department uses this policy to accept donated equipment. However, the District does not have a specific policy regarding acceptable technology donations, the procedure for accepting donations, and the types of equipment that the District will accept.

According to the article, *Seven Cost-Saving Strategies for the IT Funding Crunch* (E-School News Online, 2005), key issues to consider when implementing a donation program include compatibility with the existing hardware and network, ability to run core instructional programs, and Internet access at an acceptable speed. It also indicates that schools need a policy that defines goals, criteria and technology specifications, as well as a process for handling donations. Also, according to the International Society for Technology in Education's *Technology Support Index*, an organization is exemplary if donated equipment is accepted, but only if it meets specific brand, model, performance and system requirements. Donated equipment should be less than 2 years old.

Professional Development

R7.11 Chardon LSD should offer additional professional development programs designed for Technology Department employees, which could help improve technology services and help technology staff gain additional knowledge and exposure to different software programs and systems. In order to help assess the quality of technology training programs for all staff, the District should solicit feedback from staff and adjust the trainings accordingly. The TC should assess whether the technology training is retained and effectively applied by technology and District staff via the trouble ticketing system (see R7.12 for District-wide professional development). The performance evaluations should further address the retention and application of professional development programs for Technology Department staff.

In addition, the District should consider the Bureau of Labor Statistics (BLS) criteria as the minimum hiring qualifications for future technology staff. This would better ensure a more consistent and qualified skill-set among staff, and potentially reduce the amount of on-the-job training. Lastly, the District should develop a job description for the CTS position.

The TC has a Bachelor's Degree in business education and vocational education, and possessed a teaching certificate and knowledge of technology when he was hired by the District. The TC's knowledge of technology was the District's foremost hiring qualification. However, Technology Department employees do not have any certifications. Additionally, the District has not created a job description for the CTS position and the Technology Department does not offer a formal ongoing professional development plan for its employees. The TC meets with other technology coordinators that belong to the Lake Geauga Computer Association (LGCA) once a month to discuss current technology issues along with problems and solutions for managing school district networks. The TC attends LGCA sponsored trainings at least once per year, and attended two workshops sponsored by LGCA during the 2004-2005 school year. However, the CTS does not attend trainings and is not required to attend professional development programs.

Furthermore, the District does not evaluate the effectiveness of technology training provided to teachers, including a formal process for assessing whether staff retains knowledge gained from technology training. Along with the lack of a comprehensive District-wide technology development program (see **R7.12**), this could contribute to the fact that only 42 and 43 percent of respondents, respectively, in the AOS survey (see **Appendix 7A**) indicated that instructional/classroom software training and administrative/office software training met users' needs.

According to the United States Department of Labor - BLS *Job Outlook Handbook*, the following common hiring qualifications and job tasks for technical employees (computer support specialists and systems administrators) have been identified:

Hiring Qualifications

- Many employers prefer to hire persons with some formal college education (bachelor's degree in computer science or information, or a computer-related associate degree).
- Certification and practical experience demonstrating these skills is essential for applicants without a degree.
- Completion of a certification training program, offered by a variety of vendors and product makers, may help some people to qualify for entry-level positions.
- Persons must have strong problem-solving, analytical, and communication skills.

Job Tasks

- Beginning computer support specialists usually work for organizations that deal directly with customers or in-house users.
- Advanced positions may use what technicians have learned from customers to improve the design and efficiency of future products.
- Some computer support specialists become applications developers, designing products rather than assisting users.
- Entry-level network and computer systems administrators are involved in routine maintenance and monitoring of computer systems

According to the International Society for Technology in Education *Technology Support Index*, training for staff is deemed exemplary when technical staff receives ample training as a normal part of their employment, including training towards certification. It also deems certification exemplary when most technical staff is certified in appropriate areas.

Without a formal, ongoing professional development program, the District is dependent upon technology employees to independently increase their technology expertise and stay current with ongoing changes in technology. On the other hand, by offering ongoing professional development within the Technology Department, technology employees would be better able to meet the needs of the District, serve users and students, increase their skill-sets, and generally be more efficient and effective. Moreover, a formal professional development program would help address changes in the District's technology (e.g., technology upgrades).

R7.12 Chardon LSD should create a technology development program which describes the amount of ongoing training and basic technology competencies necessary for staff members. This would better ensure that employees are provided with appropriate training and maximize the use of available software.

The District does not have a comprehensive technology development program for all staff. BTCs are responsible for promoting the use of classroom technology in conjunction with the TC and providing professional development opportunities to other District employees within each school. The 2004 BETA Survey reported 27 percent of teachers attended no educational technology training during the 2002-03 school year. Although this was the same as the state average, it was higher than the similar district average (22 percent). Additionally, 34 percent of the District's teachers reported no hours of educational technology professional development classes, which was higher than both the similar district and state averages of 25 and 30 percent, respectively.

According to the AOS survey of District employees (see **Appendix 7A**), 59 percent of respondents agreed that software meets the needs of the users, with 15 percent disagreeing. In addition to the lack of a comprehensive technology training development program, these responses could also be attributed, in part, to the process for selecting software products (see **R7.9** and **R7.4**). Furthermore, 54 percent of respondents agreed that users know all major software functions in their departments, with 17 percent disagreeing.

According to the International Society for Technology in Education's *Technology Support Index Standards*, an outstanding organization has a comprehensive staff development program in place that impacts all staff. The program should be progressive in nature and balance incentive, accountability and diverse learning opportunities.

Maintaining an ongoing technology development program ensures that District staff is competent with respect to basic technology matters. Such a program would allow District staff to use technology effectively in the education process and to troubleshoot their own problems, thus freeing up technician time for larger and more complex issues.

Security

R7.13 The District should document its security controls, standards and procedures in a manual. In order to maintain an up-to-date inventory and place appropriate security measures on its equipment, the District should electronically track its inventory in-house or through the Lake Geauga Computer Association (LGCA). If the District can not implement an effective in-house system, or LGCA does not meet its needs, it should consider purchasing a bar code inventory system. This could enable the District to track its technology equipment much more efficiently, and ensure that an accurate and updated technology inventory is used when making procurement decisions.

The District has established network controls in the areas of access, systems development, and systems maintenance to promote proper functioning of the Technology

Department. However, these controls are not properly documented by the Technology Department. The District uses Sophos anti-virus protection which updates daily and has locks from unauthorized users, including passwords and firewalls which safeguard confidential and sensitive information. The District owns a three year license for the Sophos anti-virus software. Access to all confidential or sensitive data is dispersed through individual user folders based on a set of permissions. Each student, faculty member, and administrator has a unique network profile containing a username and password. Each network profile is assigned separate permissions to access network folders. Students, teachers, and administrators have different permissions to view and access network folders. The TC has the only network profile with the ability to view and access all network files.

According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) best practices and indicators for technology, a written procedures and a standards manual should be developed that includes systems operations, systems development and maintenance standards, documentation standards, operations policies, and access security policies.

At Chardon LSD, a physical inventory of all technology equipment is taken bi-annually to compile the required BETA Survey information, but no other documentation was provided for asset inventory management practices. The Technology Department does not maintain a barcode system to track technology equipment inventory. Instead, all technology equipment is tracked manually. Furthermore, the District is contracting with the Lake Geauga Computer Association (LGCA) for some software and technical services, including accounting, payroll, and EMIS services. However, LGCA can also provide software services for equipment inventory. According to LGCA, the District would not incur additional charges for using the equipment inventory software because it is already using and paying for the fiscal management software package, which includes the equipment inventory software.

The article from the techLearning website, *13 Tech Support Strategies* (Henderson, March 2005) recommends that a technology department develop a database that stores information about every computer, software title, printer, digital camera/camcorder, scanner, PDA, TV, VCR, DVD player, network drop, and static IP address on campus. Keeping track of hardware and software is important for copyright enforcement, report generation, and most importantly, decision making regarding purchasing.

An article entitled *How to Manage Your Technology Assets Effectively,* (Punderson, October 1, 2001) on the E-School News website suggests that the inventory tracking system must be easy to update and able to be updated by many people so that data entry does not become an information bottleneck. Staff members need to reconcile information in the system with a physical inventory on a regular basis. This will help remind all

employees that they need to keep information up to date, and it will uncover problems while there is still time to solve them.

R7.14 The Technology Department should compile written standards for the proper use of all District technology equipment. Specifically, guidelines that describe appropriate and inappropriate uses of District computers, FAX machines, and copiers should be communicated to all users.

All students and faculty should sign an acceptable use policy before internet access is granted in their network profiles. This document should outline pertinent issues such as notice of the rights and responsibilities of computer and network users; notice of legal issues, such as copyright and privacy; notice of acceptable content and conduct on the network; description of behaviors that could result in disciplinary action; and a description of the range of disciplinary options, including the removal of access privileges. However, the District does not have policies for the acceptable use of all technology equipment, including: school computers, copiers, and faxes.

Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) best practices and indicators for technology indicate that district staff, teachers, students and parents should be provided written and verbal guidelines describing the appropriate and inappropriate uses of technology, such as school computers, the Internet, copiers, FAX machines, etc.

Establishing acceptable use policies for all technology equipment would protect the District by restricting the behavior of users and protect users by informing them of the parameters defining acceptable use. The Dallas Independent School District Board of Trustees approved a policy for the acceptable use of computers and networks which covers personal use of technology equipment for non-instructional and non-administrative purposes, illegal copying or installation of software, and inappropriate use of the internet. The key items in the policy include the following:

- Users shall not erase, rename or make unusable anyone else's computer files, programs or disks.

- Users shall not let other persons use their name, logon, password or files for any reason (except for authorized staff members).

- Users shall not use or try to discover another user's password.

- Users shall not copy, change or transfer any software or documentation provided by the school district, teachers or another student without permission from the campus Teacher Technologists.

- Users shall not deliberately use the computer to annoy or harass others with language, images or threats.

- Users shall not deliberately access or create any obscene or objectionable information, language or images.

R7.15 The District should create a written disaster recovery plan. This plan should contain all key elements of a disaster recovery plan mentioned in the NCES criteria. By implementing a written disaster recovery plan, the District will be prepared and know how to proceed in case of an emergency.

The District does not have a formal disaster recovery plan. There is a back-up server located off-site that saves all network data on a 20 day rotation (**see Chart 7-2**)

The standards for disaster recovery planning are outlined in the NCES publication *Safeguarding Your Technology,* (1998), which are presented in **Table 7-5.**

Table 7-5: Key Elements of Disaster Recovery Plan

Build Disaster Recovery Team	• Identify a disaster recovery team that includes key policy makers, building management, end-users, key outside contractors and technical staff.
Obtain and or approximate key information	• Develop an exhaustive list if critical activities performed within the district. • Develop an estimate of the minimum space and equipment necessary for restoring essential operations. • Develop a time frame for starting initial operations after a security incident. • Develop a list of key personnel and their responsibilities.
Perform and/or delegate duties	• Create an inventory of all assets, including data, software, hardware, documentation and supplies. • Set up reciprocal agreements with comparable organizations to share each other's equipment in an event of an emergency at one site. • Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay. • Establish contractual agreements with backup sites. • Identify alternative meeting and start-up locations to be in used in case regular facilities are damaged or destroyed. • Prepare directions to all off-site locations. • Establish procedures for obtaining off-site backup records. • Gather and safeguard contact information and procedures. • Arrange with manufacturers to provide priority delivery of emergency orders. • Locate support resources that might be needed (i.e. trucking and cleaning companies). • Establish emergency agreements with data recovery specialists.
Specify details within the plan	• Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done. • Define actions in advance of a disaster. • Define actions to be taken at the onset of a disaster to limit damage, loss and compromised integrity. • Identify actions to be taken to restore critical functions. • Define actions to be taken to re-establish normal operations.
Test the plan	• Test the plan frequently and completely. • Analyze test results to determine further needs.
Deal with the damage appropriately.	• If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.
Give consideration to other significant issues.	• Don't make the plan unnecessarily complicated. • Make one individual responsible for maintaining the plan, but have it structured so that others are authorized and prepared to implement if it is necessary. • Update the plan regularly and whenever changes are made to the system.

Source: "Safeguarding Your Technology."

Without a written policy regarding disaster recovery, the District increases the risk of not following the appropriate steps in order to repair or replace the technology system. Once a written disaster recovery plan is in place, the District will be more organized and efficient if a disaster would occur to the system.

Financial Implications Summary

The following table represents a summary of estimated annual costs for technology services. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications

Recommendation	Estimated Annual Costs
R7.2 Revise strategic technology plan and include a formal computer equipment replacement plan.	$118,000
Total	**$118,000**

Appendix 7-A: Employee Survey Responses

AOS administered a survey of Chardon LSD employees to obtain feedback and perceptions concerning technology. One hundred and fifty-five (155) employees completed the survey. Survey responses were on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 7-6** illustrates the results.

Table 7-6: AOS Technology Survey Results

Survey Questions	Chardon LSD Results
Administrative Software Users	
1) **Users know all major software functions used in their departments.**	
1) Strongly Disagree	2%
2) Disagree	9%
3) Neutral/Not Sure	11%
4) Agree	**33%**
5) Strongly Agree	14%
2) **Software meets the needs of the users.**	
1) Strongly Disagree	3%
2) Disagree	9%
3) Neutral/Not Sure	9%
4) Agree	**38%**
5) Strongly Agree	10%
3) **Software is used effectively and efficiently.**	
1) Strongly Disagree	1%
2) Disagree	9%
3) Neutral/Not Sure	12%
4) Agree	**37%**
5) Strongly Agree	11%
4) **Users can get help when needed.**	
1) Strongly Disagree	2%
2) Disagree	6%
3) Neutral/Not Sure	7%
4) Agree	**37%**
5) Strongly Agree	19%
Instructional Software Users	
5) **Users know all major software functions used in their departments.**	
1) Strongly Disagree	2%
2) Disagree	15%
3) Neutral/Not Sure	13%
4) Agree	**45%**
5) Strongly Agree	9%
6) **Software meets the needs of the users.**	
1) Strongly Disagree	3%
2) Disagree	12%
3) Neutral/Not Sure	10%
4) Agree	**50%**
5) Strongly Agree	9%

7) **Software is used effectively and efficiently.**	
1) **Strongly Disagree**	4%
2) **Disagree**	10%
3) **Neutral/Not Sure**	16%
4) **Agree**	**46%**
5) **Strongly Agree**	9%
8) **Users can get help when needed.**	
1) **Strongly Disagree**	4%
2) **Disagree**	9%
3) **Neutral/Not Sure**	8%
4) **Agree**	**45%**
5) **Strongly Agree.**	19%
All Users – Software Training	
9) **Administrative/office software training meets user needs.**	
1) **Strongly Disagree**	3%
2) **Disagree**	10%
3) **Neutral/Not Sure**	14%
4) **Agree**	**32%**
5) **Strongly Agree.**	11%
10) **Instructional/classroom software training meets user needs.**	
1) **Strongly Disagree**	3%
2) **Disagree**	19%
3) **Neutral/Not Sure**	15%
4) **Agree**	**35%**
5) **Strongly Agree.**	7%
11) **Training facilities meet user needs.**	
1) **Strongly Disagree**	5%
2) **Disagree**	20%
3) **Neutral/Not Sure**	17%
4) **Agree**	**36%**
5) **Strongly Agree**	6%
12) **Training programs are useful.**	
1) **Strongly Disagree**	2%
2) **Disagree**	9%
3) **Neutral/Not Sure**	18%
4) **Agree**	**42%**
5) **Strongly Agree**	11%
13) **Users feel more training is needed.**	
1) **Strongly Disagree**	0%
2) **Disagree**	10%
3) **Neutral/Not Sure**	17%
4) **Agree**	**42%**
5) **Strongly Agree**	16%
All Users – General Computer Operation/Data	
14) **Computer systems are reliable.**	
1) **Strongly Disagree**	6%
2) **Disagree**	11%
3) **Neutral/Not Sure**	11%
4) **Agree**	**64%**
5) **Strongly Agree**	7%

15) Speed of data processing is satisfactory.	
1) Strongly Disagree	6%
2) Disagree	7%
3) Neutral/Not Sure	12%
4) Agree	**64%**
5) Strongly Agree	7%
16) Access to a printer is adequate.	
1) Strongly Disagree	6%
2) Disagree	12%
3) Neutral/Not Sure	5%
4) Agree	**53%**
5) Strongly Agree	23%
17) Systems contain accurate and complete data.	
1) Strongly Disagree	1%
2) Disagree	7%
3) Neutral/Not Sure	9%
4) Agree	**65%**
5) Strongly Agree	13%
18) Data from computer systems is useful for decision making or monitoring.	
1) Strongly Disagree	0%
2) Disagree	3%
3) Neutral/Not Sure	14%
4) Agree	**54%**
5) Strongly Agree	12%
All Users – Technical Assistance	
19) Technical assistance department (if applicable) is easily accessible.	
1) Strongly Disagree	6%
2) Disagree	18%
3) Neutral/Not Sure	10%
4) Agree	**50%**
5) Strongly Agree	13%
20) Requests for assistance are answered in a timely manner.	
1) Strongly Disagree	4%
2) Disagree	14%
3) Neutral/Not Sure	10%
4) Agree	**55%**
5) Strongly Agree	14%
21) Computer repair services are easily accessible.	
1) Strongly Disagree	5%
2) Disagree	17%
3) Neutral/Not Sure	18%
4) Agree	**46%**
5) Strongly Agree	9%
22) Computer repair requests are answered in a timely manner.	
1) Strongly Disagree	4%
2) Disagree	18%
3) Neutral/Not Sure	16%
4) Agree	**48%**
5) Strongly Agree	10%

23) Technology staff is able to solve hardware problems.	
1) Strongly Disagree	5%
2) Disagree	2%
3) Neutral/Not Sure	12%
4) Agree	**60%**
5) Strongly Agree	17%
24) Number of technology personnel is adequate to provide support.	
1) Strongly Disagree	15%
2) Disagree	**30%**
3) Neutral/Not Sure	12%
4) Agree	**30%**
5) Strongly Agree	8%
25) I am satisfied with the technical assistance provided by the District.	
1) Strongly Disagree	8%
2) Disagree	15%
3) Neutral/Not Sure	16%
4) Agree	**50%**
5) Strongly Agree	9%
All Users – Software Applications	
26) Electronic mail is widely used.	
1) Strongly Disagree	0%
2) Disagree	0%
3) Neutral/Not Sure	3%
4) Agree	34%
5) Strongly Agree	**61%**
27) The internet is used to access information.	
1) Strongly Disagree	0%
2) Disagree	1%
3) Neutral/Not Sure	2%
4) Agree	34%
5) Strongly Agree	**61%**

Note: Due to some individuals not responding to a question, survey percentages will not add up to 100 percent

The letter that follows is the official response of the Chardon Local School District to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When disagreements were noted and supporting documentation was provided, revisions were made to the audit report as appropriate.

As noted in its response, the District does not agree with every conclusion drawn in the audit report. However, a review of the District's response, the audit report, and supporting documentation revealed no unresolved factual matters. As a result, no additional report revisions were necessitated by the District's comments.

October 26, 2006

Columbus Regional Office
88 E. Broad St. 4th Floor
Columbus, OH 43216

Dear Auditor,

In January 2005, the Chardon board of Education, requested the Auditor of the State to perform a Blue Ribbon Commission Performance Audit for purposes of information and direction in the improvement of the Chardon Local School district's services. As such, the Board of Education welcomes the insight offered through this process as part of the Board's commitment to accountability and improvement. It is the intention of the Board of Education to continue to review and discuss the findings and recommendations contained in the report.

Underpinning our work is the recognition that quality financial and operational services reporting can only result from effective interrelationships among our constituents. It is important to note that this Board of Education has already embraced items identified as cost savings measures as outlined in the performance audit prior to its completion. Listed below are examples of our progress.

Financial Systems
- Cross training is currently in progress in the Treasurer's office. The Assistant to the Treasurer is working with Payroll personnel to learn procedures and software programs. The Treasurer, Assistant to the Treasurer and Accounts Payable employee are all being trained in Inventory programs. The Assistant to the Treasurer and Accounts Payable employee both are trained to utilize the accounts payable procedures and software programs.
- The FY 07-FY11 forecast reflects the impact of HB 66. The new revenue codes for HB 66 were implemented in FY07 as required and this will reclassify the funds.
- The budget calendar or timeline is developed each year according to schedules. The process begins in February and is concluded in March with all Principals and Supervisors involved. The budgets are then posted to the state software and then reports are printed for verification.
- The Chardon Local School District will investigate the cost and resources needed to complete the PAFR.

Human Resources
- District notes the information regarding the elimination of class size restrictions and mandatory increases in teacher aide positions. District negotiated this provision as classroom space is extremely limited and by

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www.chardonschools.org

adding additional hourly aides the district saves considerable expense by not hiring additional certificated staff.

- District officials are investigating an automated substitute and community calling system as a recommendation of this performance audit.
- Superintendent has authorized a policy review by OSBA to update all Board policies.
- Administrative Reductions
  - elimination of a 1.0 FTE activities director
  - implemented a two tiered system of benefits for administrative staff designed to reduce the number of employees receiving the STRS pick up at its full rate. New administrators to the district pay the same rate for health care benefits as the certificated staff.
  - elimination of 1.0 FTE special education coordinator
- All employees agreed to no COLA in 2005-06 and 2006-07 school years.
- Superintendent is conducting a cost benefit analysis to determine the benefit of an ERIP to reduce the high number of staff members at the high end of the salary schedule due to 25+ years of experience and education beyond a Master's Degree.
- Certificated Staff Reductions
  - through attrition, elimination of 1.0 FTE FCS teacher
  - through attrition, elimination of 1.0 FTE Industrial Technology Teacher thus eliminating the program
- Special Education
  - returned 1 unit of special education to the district
- Health Care
  - re-established District Health Care Committee efforts
  - hired third party consultants to investigate insurance carriers rates, terms, and conditions of service
  - district is instigating wellness programming for all personnel complete with health screenings to impact the long term health of its work force

Transportation

- The Board has reviewed strategies to improve efficiency and economy before reverting to state minimum transportation services.
  - rerouted all transportation routes to include group pickups, and reductions of Cul-de-sac pickups for a reduction of 68,580 miles per year
  - bell schedules have been altered at the middle school and high school to accommodate common dismissal to improve efficiency and reduce each drivers log time by at least 15 minutes per day
  - the district has engaged the process for elimination of 1 bus route to private schools using "payment in lieu of" (currently in State mediation)
  - reduction of field trips and nonessential athletic trips

-in 2005-06 school data logs document in excess of 4000 calls from parents to alter the drop-off locations of students in the pm routes
-district now proceeds with an emergency only provision, thus reducing labor, and additional expenses of such changes.
-due to the aging fleet the district cannot support the reduction of 1.0 FTE mechanic position
-district is engaging in route sharing with neighboring districts to transport special education population to isolated and non-routine routes

Food Service

- Through a reduction in force the district eliminated 4 part time cafeteria assistants/positions.

Facilities

- Custodial/Maintenance
  -eliminated 2.0 FTE custodial positions/district is in process of realignment of existing staff
  -district is monitoring the overtime use
- Enhanced our efforts to reduce Workers Compensation rates by participating in the premium discount program offered by BWC.
- District is investigating energy management education programs to control energy consumption through re-education of employees.
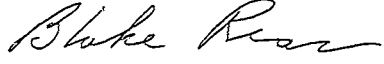
Technology

- The district is investigating a model of technology designed to minimize the replacement expense by over 50%.
- Recent investigation into VOIP phone systems yielded a cost prohibitive start up expenditure beyond the financial means of the district at this time.

The Chardon Board of Education recognizes the complex nature of financial systems and how each part impacts the district as a whole. The recommendations that do not demand significant resources will be reviewed on a prioritized basis. We are grateful for the efforts of the auditors to understand the Chardon Local Schools financial situation as well as the excellent services we provide to our students. The information contained in this audit report will be used as a "tool in our toolbox" and will help direct strategies with the continuous improvement process of Chardon Local Schools.

Sincerely,

Joseph Bergant II, Superintendent
Chardon Local Schools

Blake Rear, President
Chardon Board of Education