Mary Taylor, CPA
Auditor of State

LAKE LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

SEPTEMBER 20, 2007

Mary Taylor, CPA
Auditor of State

To the Residents and Board of Education of the Lake 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 its demonstrated ability to manage its General Fund revenues and expenditures and avoid deficits, the Lake Local School 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 the District's operations which support its mission of educating children, and because improvements and cost reductions in these areas can assist Lake Local School District in maximizing the funding targeted at direct instruction.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Lake Local School District's financial situation. While the recommendations contained in the performance audit are resources intended to assist in improving its overall financial condition, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a district overview; objectives; the scope and methodology of the performance audit; and significant noteworthy accomplishments, key recommendations, financial implications, and issues for further study. This report has been provided to Lake Local School District 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 for further enhancing overall operations and service delivery.

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 "On-Line Audit Search" option.

Sincerely,

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 20, 2007

Executive Summary

Project History

In accordance with Amended Substitute House Bill 66 (HB 66), Ohio Revised Code (ORC) § 206.09.12, the 126th General Assembly provided funding to conduct comprehensive performance audits consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. The results of performance audits of selected Ohio school districts will be used to identify practices and procedures that may result in greater efficiency or effectiveness within Ohio school districts. Based on the comprehensive performance audit model, the performance audit of Lake Local School District (Lake LSD or the District) included reviews of the following operational areas:

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

District Overview

Lake LSD operates under a locally elected Board of Education (the Board) consisting of five members and is responsible for providing public education to the residents of the District. Lake LSD is located in Wood County (and a small portion of Ottawa County) and serves the municipalities of Millbury, Moline, and Walbridge, as well as Lake Township—all predominately rural communities in northwest Ohio. As reported by the Ohio Department of Education (ODE), Lake LSD's average daily membership (ADM) totaled 1,496 students at the end of FY 2006-07, down from 1,576 in FY 2003-04; a decrease of 5.1 percent over the last 4 fiscal years.

The District consists of five buildings: Walbridge Elementary school (grades K-1), Lake Elementary School (grades 2-5), Lake Middle School (grades 6-8), Lake High School (grades 9-12), and Millbury Elementary School which is used as a preschool facility and also houses administrative offices. The average age of District buildings is 57 years. However, the District opened its middle school in 2003.

According to the National Center for Education Statistics (NCES), Lake LSD has a population of approximately 10,200, including about 2,500 residents (25 percent) under 18 years of age. For

FY 2005-06, ODE estimated a population density of 278 residents per square mile. ODE also reported that Lake LSD's median household income was $32,012 in FY 2005-06, with 17.1 percent of the population having a college degree or more.

According to the District's five-year financial forecast, as submitted to ODE in November 2006, Lake LSD was projecting a $78,000 surplus in the *Unreserved Fund Balance* line-item (General Fund) in FY 2010-11.[1] The Board placed a new operating (6.75 mill) levy on the August, 2006 ballot, and the levy passed. Also, because the forecast focuses on the General Fund, it does not account for voter renewal of a 1.4-mill Permanent Improvement Fund levy that also passed in November, 2006. These are the first levies passed by District voters since 1999. District officials indicated that there has been disunity between communities in the District and negative press coverage, both of which have contributed to the District failing to pass numerous levies. District administrators also indicated that there has been conflict with the Board, resulting in lack of timely decision making, such as posting to fill key position vacancies.

The District's General Fund comprises the largest percentage of Lake LSD revenues (75.4 percent) and expenditures (76.0 percent). Most of the District's programs and services are reported in the form of governmental activities which include personal services, instructional services, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and State grants and other shared revenues. General Fund revenues increased 4.1 percent between FYs 2004 and 2006, attributable to increases in property and other local taxes, as well as intergovernmental, and tuition and fee-related revenues.

Lake LSD maintains low per pupil expenditures. In FY 2005-06, per pupil expenditures were $6,721, compared to a peer average of $7,911. This can be attributed, in part, to the use of a planning process (continuous improvement plan) that highlights the District's priorities. In FY 2006-07, Lake LSD's per pupil expenditures were $7,405, substantially below the 2005-06 State average of $9,355. This is related to the District's prudent deployment of staffing—Lake LSD employs fewer personnel than the peers on a per 1,000 student basis, particularly in the area of support services. In regular education instructors, Lake LSD exceeded the peers by 4 full-time employees per 1,000 students, illustrating the District's emphasis on classroom instruction.

Also, ODE has designated Lake LSD as "effective" for the FY 2004-05 school year, as it met 16 of the State's 23 indicators. In addition, the District's Performance Index Score for FY 2004-05 was 93.3, an improvement over each of the past 2 years. For FY 2005-06, The District maintained its Effective designation, and met 19 of the State's 25 indicators. The District's Performance Index Score was 92.6. Finally, Lake LSD achieved 20 out of 30 indicators in FY 2006-07 and again maintained its Effective designation.

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[1] The updated forecast from May 2007 shows a deficit in year five of the forecast of $800,000.

Despite its inability to secure additional local funding for several years, Lake LSD has avoided fiscal oversight and operating deficits. Cost cutting measures contributed to its ability to maintain financial independence; however, the District as a whole appears to approach staffing, contractual issues, and other expenditures from a conservative standpoint. Although Board members indicated that cost reductions had impacted employee, student, and resident morale, Lake LSD's efforts to maintain a balanced budget without additional revenue from 1999 to 2006 are notable.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of the performance audit is to review any programs or areas of operation in which the Auditor of State (AOS) believes that greater operational efficiency, effectiveness and accountability for services can be achieved. Major assessments were conducted for this performance audit in the following areas:

- *Financial Systems*: including an evaluation of forecasting and expenditures, management reporting, payroll processing, and procurement practices;

- *Human Resources*: including an assessment of staffing levels, benefits administration, key contractual items and human resource management and deployment issues;

- *Facilities*: including analysis of facility utilization, maintenance and general upkeep;

- *Transportation*: including an assessment of transportation costs and operational efficiency;

- *Food Service*: including assessments of financial status, operations, staffing and meal preparation; and

- *Technology*: including an evaluation of the District's architecture, hardware and management information systems.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that Lake LSD can consider in its continuing efforts to remain a high-performing and low-cost District.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between June 2006 and November 2006 and data was drawn from FYs 2004 through 2006. To complete this report, auditors gathered and assessed data from various sources pertaining to key operations. Auditors also conducted interviews with District personnel and reviewed and assessed information from Lake LSD and other school districts.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas which were provided to Lake LSD in April 2007. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report and to provide verbal input at the exit conference held in August 2007. These comments were taken into consideration during the reporting process and, where warranted, AOS modified the report.

For the Governor's Blue Ribbon Task Force performance audits, AOS developed a composite of ten selected districts which was used for peer comparisons. The selected districts were Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County). The data obtained from the comparison districts was not tested for reliability, although it was reviewed in detail for reasonableness. Also, external organizations and sources were used to provide comparative information and benchmarks. They included the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related best practices.

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

- **Fiscal management policies**: The Board updated its fiscal management policies in March, 2006. These policies are comprehensive and include provisions for each of the following:

  - Annual Budget & Appropriations (e.g., budget deadlines and schedules);
  - Taxing & Borrowing Authority/Limitations;
  - Funding Proposals and Applications;
  - Revenues from Tax Sources (local, State, and federal);
  - Revenues from non-Tax Sources (e.g., investment policy, grants, etc.);
  - Internal Controls (e.g., deposits and signatures);
  - Employee Bonding; and
  - Fiscal Accounting & Reporting (e.g., inventory and fixed assets).

  Board policies are also linked to formal fiscal management goals, including the following:

  - Engage in thorough advance planning, with staff and community involvement, in order to develop budgets and to guide expenditures to achieve the greatest educational returns for the dollars expended;
  - Establish levels of funding which provide high quality education for the District's students;
  - Use the best available techniques for budget development and management;
  - Provide timely and appropriate information to all staff with fiscal management responsibilities; and
  - Establish effective procedures for accounting, reporting, business operations, purchasing and receiving, payroll, and supplier/contractor payment.

Human Resources

- **Minimize personnel costs**: Between FYs 2002-03 and 2005-06, the District's personnel expenditures decreased by nearly $40,000 (8.1 percent) in the area of transportation. This can be attributed to several factors, including a 20 percent reduction in regular driver full-time equivalent employees (FTEs) associated with a temporary cessation of high school transportation services. The Transportation Supervisor indicates that, as a result of these staffing reductions, substitute drivers have assumed more responsibility. The District also recently implemented wage freezes and negotiated employee contributions for health insurance.

Facilities

- **Use of seasonal employees for grounds keeping services**: Lake LSD employs seasonal student help to perform mowing and other grounds keeping duties during summer months. In FY 2004-05 and FY 2005-06 the District hired student workers for a total of 80 hours per week from June through August. Seasonal workers report to the full-time maintenance/grounds keeper. In general, there are several financial benefits associated with hiring seasonal help for custodial and/or grounds keeping duties. Use of seasonal student workers ensures the ongoing opportunity to help students by providing summer jobs and help the District by controlling grounds keeping labor costs, subsequently allowing maintenance personnel to devote a higher percentage of time to maintenance tasks.

Transportation

- **Minimize fleet maintenance and repair costs through effective outsourcing and preventive maintenance**: Compared to the peer average, Lake LSD spends significantly less to maintain and repair its fleet. This can be attributed to the fact that the District rents space from Rossford Exempted Village School District (Rossford EVSD) for its bus garage, outsources its mechanic function to the Wood County Education Service Center (ESC), and does not carry a parts inventory. Furthermore, Lake LSD documents all pre-trip inspections and bus maintenance reports which facilitate preventive maintenance activities. The Ohio Highway Patrol, which is responsible for inspecting school district buses, reported only minor violations in its most recent inspection of Lake LSD's fleet and the violations were repaired immediately while the inspector was on-site. This is an indication that Lake LSD effectively manages fleet maintenance and repairs.

Food Service

- **Quality assurance**: Lake LSD performs end of the year customer service surveys, conducts interviews with students and other stakeholders, and performs small-group discussions inside and outside the classroom. The District conducts quality assurance activities consistent with best practices.

Technology

- **Consolidation of long distance phone services**: Between FYs 2003-2005, the District's communications expenditures, which include telephone service, decreased by about $163,800 (82.4 percent). According to the previous Technology Coordinator, fiber network connections have allowed the District to save approximately $40,000 per year on long distance costs through service consolidation.

Key Recommendations

The performance audit contains several recommendations pertaining to District operations. The most significant recommendations are presented below.

In the area of financial systems, Lake LSD should consider the following actions:

- Reinvigorate its strategic planning process by updating its *Continuous Improvement Plan* and publishing it – along with its mission and belief statements – on the District website. The District should update this plan to include academic, operational, and fiscal management goals that are developed with input from key stakeholders, linked directly to the five-year forecast through a strategic budget, and can be formally measured.

- Develop formal standard operating procedures for the creation and review of its five-year forecast. These policies and procedures should address key factors, including parties responsible, methods used for gathering the information, the extent to which historical results or trend analysis are used, assumption development and evaluation, supporting documentation for the assumptions, and the presentation of the forecast.

  During the course of the audit, Lake LSD implemented this recommendation.

- Update Board policies to better prepare for unforeseen contingencies, including a fiscal management policy requiring that the District's General Fund maintain a balance of unreserved funds. Board policies should also address debt capacity, one-time revenues, revenue diversification, and contingency planning.

In the area of human resources, Lake LSD should consider the following actions:

- Enforce an eight-hour work day for classified employees in accordance with the negotiated agreement and cease paying for off-duty lunch periods.

- Negotiate at least a 10 percent monthly employee health insurance premium contribution requirement. By increasing employee contribution requirements to help offset rising health care insurance costs, the District could save approximately $76,000 in FY 2007-08.

- Through attrition, reduce District staffing levels in classifications that are higher than the peer district average. Bringing staffing levels in line with the peer district average in selected areas could save the District approximately $298,000 in salary and benefit costs. However. Lake LSD will need to examine the impact of staffing reductions on its services as it falls below the peer average in several other classifications.

- Reduce the employer payment of the employee portion of retirement contributions for all non-bargaining administrative personnel except the Superintendent and Treasurer. This would save the District approximately $56,000 per year.

In the area of facilities, Lake LSD should consider the following actions:

- Increase the level of supervisory oversight of custodial personnel to help enhance clarity of responsibility, accountability, and teamwork. Enhanced efforts in these areas will help improve custodial performance.

   During the course of the audit, Lake LSD implemented this recommendation.

- Develop formal policies and procedures for its custodial and maintenance department and establish a custodial handbook to be used as a reference guide for conducting day-to-day facilities operations. Furthermore, Lake LSD should set performance targets and evaluate its custodial and maintenance employees in relation to performance expectations.

- Establish a work order system to track the status of maintenance jobs to completion. If financially feasible, the District should consider implementing a computerized maintenance management system. This would enable more effective tracking of preventive and general maintenance tasks. Supervisors could measure worker productivity, estimate future costs and timeframes for maintenance projects, and anticipate needed equipment replacement and repairs.

- Reallocate staffing within buildings in order to help achieve a workload that is balanced between custodial and maintenance personnel and more in line with national benchmarks.

In the area of transportation, Lake LSD should consider the following actions:

- Develop transportation-specific goals and objectives, including a bus replacement plan, in an updated, District-wide strategic plan.

   During the course of the audit, the Treasurer developed a bus acquisition strategy using a lease purchase arrangement for buses coming off factory lease. Lake LSD opted to purchase six buses each with only one year of service and less than 15,000 miles from the bus manufacturer. The Treasurer estimated that, over the four year payment period, the District would save almost $200,000 over buying new buses. Using the lease purchase strategy allows Lake LSD to immediately catch up on its replacement cycle without incurring large up-front costs.

- Use competitive bids or requests for proposals when purchasing fuel to ensure accountability for District funds and reduce transportation costs.

In the area of food service, Lake LSD should consider the following actions:

- Fully privatize its food service operation.

- Improve the level of monitoring devoted to the food service contract.

  During the course of the audit, Lake LSD implemented additional contract monitoring procedures.

- Charge all food service expenditures back to the Food Service Fund including facilities, personnel, and utilities costs.

In the area of technology, Lake LSD should consider the following actions:

- Update its technology plan to include goals and objectives for initiating a five-year replacement cycle for its computers, as well as goals and objectives associated with seeking and identifying additional technology grants.

  Lake LSD updated its technology plan during the audit period.

- Formally measure the total cost of ownership of all technology-related purchases, expenses, and anticipated outlays, including explicit (e.g., cost of a new computer) and implicit (e.g., cost to train staff and maintain new computer) costs.

  Lake LSD began measuring the total cost of ownership during the course of the audit.

- Update the Technology Coordinator/Grant Facilitator job description to include educational requirements, skill qualifications, and certifications.

- Develop formal and comprehensive standard operating procedures that describe in detail those critical activities that in-house and outsourced technical support personnel perform on a day-to-day basis. The Technology Coordinator/Grant Facilitator, in collaboration with the Northwest Ohio Computer Association (NWOCA), should also develop a formal disaster recovery plan.

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 auditors do not have the time or resources to pursue. AOS has identified the following such issues:

- **Retirement System Withholding**: Lake LSD's contracted food service management company (FSMC) is currently charging the District for FSMC employee contributions to both the School Employee Retirement System of Ohio (SERS) and the Social Security Administration (SSA) system. ORC § 3309.01 (B) and 3309.23 (D) notes that decisions regarding SERS membership are to be made by the School Employees Retirement Board and such decisions are final. The Board has determined that membership in and contributions to SERS are required of individuals who perform food service for an educational unit. According to the Food Service Director, the FSMC's legal counsel has advised that FSMC employees should pay into both systems to avoid Internal Revenue Service (IRS) citations and fines. Paying into both systems is an added expense to the District's Food Service Fund. The District not only pays the employer share of SERS but the FSMC also bills the District for the SSA employee and employer shares. The FSMC employee contributions to SSA may never be recovered by the FSMC employee, depending on the employee's individual circumstance at time of retirement. The FMSC should seek a revenue ruling from the IRS for a determination that all employees who participate in a qualified retirement plan are not required to participate in social security as well, or seek a ruling from an Ohio Court that the SERS determination is incorrect. The FSMC should not continue to pay both indefinitely.

- **Management Fees**: The District pays a management fee to the FSMC based on the number of meals served. The total number of meals served is calculated by adding reimbursable breakfasts and lunches served and meal equivalents. The meal equivalent count is based on ala carte cash receipts, other than from sales of National School Lunch Program and School Breakfast Program meals served, divided by $2. The $2 amount is found in the FMSC's "Meals and Meal Equivalent Calculator" which shows the $2 consists of the Federal free lunch rate plus the commodity rate. According to ODE, the FY 2005-06 free regular lunch reimbursement rate is $2.32. The commodity rate contained in ODE's CRRS MR 70 Report for FY 2005-06 is $.62. Adding these numbers together totals $2.94 which exceeds $2. According to the FSMC General Manager, the $2 figure was determined by the District not the FSMC and it has been used for years. In addition, using the current free regular lunch reimbursement rate in the calculation is considered insignificant. However, as the District raises ala carte prices, the management fee will increase. Since the FSMC management fee represents a significant cost to the

District, the District may want to become more familiar with the management fee structure and determine if this should become an item for negotiation during the next contract renewal.

Subsequent Events

As of August, 2007, the District released a new five-year forecast that projects a General Fund deficit of approximately $807,700 for FY 2010-11. ODE also released Lake LSD's report card for FY 2006-07, which shows that the District is still "Effective," meeting 20 out of 30 State indicators. ODE also reports that the District's performance index score decreased slightly, from 92.6 to 92.0, since last year.

Administrators and Board members indicated that they have begun implementation of several recommendations and these are noted in the report. Lake LSD has maintained many of its cost containment areas but has reinstated some of the personnel reduced during its lean financial times. According to the Superintendent, some personnel reductions were hindering the District's ability to adequately serve its students and these key positions were therefore reinstated. Similarly, the District reinstituted high school busing to ensure safe transport to school for its students, particularly at the high school level.

During the course of the audit, Lake LSD contracted with a local energy management company to increase its energy management activities. Using HB 264 funding, Lake LSD plans to replace aging boilers with more efficient models, retrofit lighting fixtures, and implement heating and lighting controls to decrease energy use. The District has been provided estimates of savings that are in excess of those included in the audit report. Funds borrowed for the project under HB 264 will be repaid from the savings generated by improved energy management practices.

The Treasurer submitted an updated forecast to ODE at the end of May 2007. In this update, the final year of the forecast reflects a deficit of about $807,000. As circumstances reflected in the forecast often change, resulting in different outcomes in the latter years of the forecast, Lake LSD will need to closely monitor its finances to ensure its long-term solvency.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that Lake LSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Summary of Financial Implications

Recommendation	Estimated Annual Cost Savings	Estimated Annual Costs	Estimated One Time Implementation Costs	Estimated One Time Cost Avoidances
Items Subject to Negotiation				
R3.3 Limit employer payment of employee share of retirement contribution for administrators	$56,000			
R3.4 Increase dental/vision contribution rates	$28,000			
R3.4 Eliminate dollar caps on health care contributions and increase rate	$22,000			
R6.1 Complete food service operations privatization	$61,000			
Sub-Total for Items Subject to Negotiation	*$167,000*	--	--	--
Items Not Subject to Negotiation				
R3.2 Reduce staffing: Regular teachers (4.0 FTEs) ESPs (1.0 (FTE) Remedial specialists (1.0 FTE)	$160,000 $67,000 $71,000			
R3.6 Create transitional work program			$4,000	
R3.15 OSBA Board Training			$700	
R4.5 Purchase ISSA handbook			$60	
R4.6 Create maintenance/ custodial training budget		$11,000		
R4.9 Establish energy conservation education program	$43,000			
R5.4 Install/insure on-site fuel storage tank		**$1,000**	$71,000	
R5.4 Fuel competitive bidding	$12,000			
R5.5 Eliminate 2 active buses				$120,000
R5.5 Reduce 2.0 FTE bus drivers	$34,000			
R6.3 Charge expenses to Food Service Fund	**$24,000**[1]			
R7.3 Replace 62 PCs		$74,400		
R7.11 Replace ink-jet printers	**$800**	$6,500		
Sub-Total for Items Not Subject to Negotiation	*$411,800*	*$92,900*	*$75,760*	*$120,000*
Grand Total	**$578,800**	**$92,900**	**$75,760**	**$120,000**

Source: Financial implications identified throughout this performance audit

[1] The full amount noted here is not included in the Revised Five-Year Forecast (**Table 2-7**) because the Food Service Fund had a positive balance of only $14,000 at the end of FY 2005-06. As the Food Service fund can not absorb the full $24,000 under current costs and meal pricing structures, a savings of only $10,000 to the General Fund is reflected in the revised forecast.

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Financial Systems

Background

This section focuses on the financial systems of Lake Local School District (Lake LSD or the District). **Appendix 2-A** provides a summary of the audit objectives for the **financial systems** section.

The District's operations have been evaluated against best practices and operational standards from organizations such as the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), and the American Institute of Certified Public Accountants (AICPA). In addition, Type VI urban and suburban districts[4] with similar demographics, high Ohio Proficiency test scores, and low per-pupil expenditures were used as peer districts. It should be noted that due to the timing of this audit and the release of financial information which contributes to this section, comparisons made between Lake LSD and the peer districts[2] were developed using FY 2004-05 financial data and the FY 2004-05 selected peer districts. Although ODE performance indicator comparisons use FY 2005-06 data, Lake LSD's year-to-year comparisons were made using FY 2004-05 and FY 2005-06 financial data. Additional local districts, including Eastwood LSD (Wood County), Chardon LSD (Geauga County), Dublin City School District (CSD), and Westerville CSD (Franklin County) were used to compare financial reporting and strategic planning processes.

Treasurer's Office Overview and Summary of Operations

Lake LSD's Treasurer's Office consists of four employees, including the Treasurer, Payroll Clerk, Purchasing/Accounting Clerk, and the Treasurer's Secretary/Cash Manager. The Treasurer's Office is primarily responsible for managing and tracking revenues and expenditures, developing the annual budget, preparing financial statements, communicating financial information to the Board of Education (the Board), and updating the District's five-year forecast. Treasurer's Office personnel are also cross-trained to perform payroll and purchasing functions, such as computing salaries and wages, submitting appropriate information to ODE and the State pension systems (e.g., State Teachers Retirement System), processing purchase orders, and

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[4] As categorized by the Ohio Department of Education.

[2] Peer districts include the following: Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County).

reconciling invoices. The Treasurer's Office is also responsible for several human resource related activities including: preparing bargaining unit cost estimate proposals, tracking all types of leave usage, tracking health and life insurance enrollments and changes, verifying employment status, and maintaining personnel files.

The Lake LSD Board of Education (the Board) and the Treasurer's Office have implemented a number of practices to ensure a formal internal control environment exists and to communicate Lake LSD's financial condition to key internal and external stakeholders, including District employees, students, parents, and neighboring jurisdictions. For example, the Treasurer's Office has developed a formal policy and procedures handbook that describes its responsibilities in detail and includes sample forms for employee use. Treasurer's Office personnel have the appropriate qualifications and experience necessary to perform their jobs and are cross-trained. In addition, the District has established effective controls over the payroll process, including policies and procedures; appropriate reporting of time and attendance; use of edit reports and control totals; adequate review of payroll; and reconciliation. All employees are paid on the same schedule (bi-weekly) and new employees are required to use direct deposit.

An Auditor of State (AOS) financial audit of Lake LSD for FY 2004-05 reported no material control weaknesses. A review of previous audits (FYs 2002-03 and 2003-04) showed that the District has taken steps to address management letter comments (e.g., obtaining prior certification for payroll disbursements). Finally, during the course of the audit, Lake LSD began posting its five-year forecast and assumptions in electronic format on the District website,[3] along with Board meeting minutes and agendas (see also **technology**).

Financial Condition

The financial forecast shown in **Table 2-1** represents the Treasurer's projections of Lake LSD's present and future financial condition as of October, 2006. In consultation with the Treasurer, AOS reviewed historical actual revenues and expenditures and assessed those forecast assumptions that significantly and materially impact the District's overall financial condition: general property (real estate) taxes, tangible personal property taxes, unrestricted grants-in-aid, personal services, employees' retirement/insurance benefits, purchased services, supplies and materials, and capital outlay.

Table 2-1 also accounts for voter approval of a new 6.75-mill operating levy in August, 2006, which will generate approximately $1,520,000 per year. However, because this forecast focuses on the General Fund, it does not account for voter renewal of a 1.4-mill Permanent Improvement Fund levy in November, 2006. These are the first levies passed by District voters since 1999. As a result of its inability to pass an operating levy from 2003 to 2006, Lake LSD was required to

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[3] Http://www.lakelocal.k12.oh.us/

reduce staffing levels and negotiate pay freezes for both certificated and non-certificated personnel (see **human resources**); thereby reducing expenditures by approximately $800,000 over the past 3 years. In FY 2004-05, for example, Lake LSD reduced overall discretionary spending per average daily membership (ADM) by approximately 23 percent, including a significant reduction ($100 per ADM) for textbooks and reference materials.

The Board indicates that such reductions negatively impacted student enrollment, which has decreased 6.1 percent (113 students) since FY 1999-00, as well as relations with neighboring communities. Nonetheless, the District is working with local jurisdictions (e.g., Millbury, Lake Township, and Walbridge, etc.) to improve economic development on a regional basis, as demonstrated by the Lake 20/20 Vision Plan. Lake LSD can enhance these efforts by updating its own strategic planning and budgeting processes (see **R2.1** and **R2.2**) and through enhanced financial reporting (see **R2.8**).

Table 2-1 summarizes the District's historical actual and projected General Fund revenues and expenditures between FYs 2003-04 and 2010-11.

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

	Historical Actual			Projected				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
General Property Tax (Real Estate)	$4,437	$4,605	$4,678	$5,486	$6,269	$5,594	$4,920	$4,977
Tangible Personal Property Tax	$1,386	$1,228	$1,260	$1,115	$866	$351	$77	$38
Unrestricted Grants-in-Aid	$4,259	$4,371	$4,381	$4,408	$4,470	$4,500	$4,530	$4,560
Restricted Grants-in-Aid	$79	$79	$50	$23	$23	$23	$23	$23
Property Tax Allocation	$549	$571	$557	$958	$1,059	$1,202	$1,373	$1,215
Other Revenues	$262	$355	$500	$524	$547	$533	$465	$371
Total Revenue and Other Financing Sources[1]	**$12,056**	**$11,457**	**$11,683**	**$12,766**	**$13,490**	**$12,460**	**$11,644**	**$11,441**
Personal Services	$6,676	$6,509	$6,069	$6,515	$7,012	$7,335	$7,668	$7,999
Fringe Benefits[2]	$2,008	$2,107	$2,040	$2,121	$2,199	$2,296	$2,378	$2,428
Purchased Services	$2,286	$2,041	$2,086	$2,272	$2,432	$2,605	$2,795	$3,000
Supplies & Materials	$518	$284	$301	$367	$415	$450	$480	$510
Capital Outlay	$77	$8	$79	$106	$266	$277	$287	$212
Other Expenditures[3]	$330	$331	$329	$231	$275	$285	$305	$325
Total Operating Expenditures	**$11,895**	**$11,280**	**$10,904**	**$11,612**	**$12,598**	**$13,247**	**$13,913**	**$14,474**
Total Other Financing Uses[4]	$320	$237	$282	$275	$275	$275	$275	$275
Total Expenditures and Other Financing Uses	**$12,215**	**$11,517**	**$11,186**	**$11,887**	**$12,873**	**$13,522**	**$14,188**	**$14,749**
Result of Operations (Net)	*($159)*	*($60)*	*$497*	*$879*	*$617*	*($1,062)*	*($2,544)*	*($3,308)*
Beginning Cash Balance	$1,562	$1,403	$1,343	$1,840	$2,719	$3,337	$2,275	($269)
Ending Cash Balance	**$1,403**	**$1,343**	**$1,840**	**$2,719**	**$3,337**	**$2,275**	**($269)**	**($3,578)**
Outstanding Encumbrances	$112	$110	$125	$125	$125	--	--	--
Textbook & Instructional Materials	$6	$157	$304	$273	$277	--	--	--
Budget Reserve	$37	$37	$37	--	--	--	--	--
Bus Services	--	$60	$2	--	--	--	--	--
Total Reservations	*$44*	*$254*	*$343*	*$273*	*$277*	*--*	*--*	*--*
Fund Balance (June 30)	**$1,248**	**$979**	**$1,372**	**$2,321**	**$2,934**	**$2,275**	**($269)**	**($3,578)**
Property Tax – Renewal/Replace	--	--	--	--	--	$731	$1,462	$1,462
Property Tax – Cumulative	--	--	--	--	--	$731	$2,193	$3,655
Ending Fund Balance	**$1,248**	**$979**	**$1,372**	**$2,321**	**$2,934**	**$3,006**	**$1,924**	**$78**
Unreserved Fund Balance	**$1,248**	**$979**	**$1,372**	**$2,321**	**$2,934**	**$3,006**	**$1,924**	**$78**

Source: Lake LSD and ODE

Note: Due to rounding, totals may vary slightly from the totals reflected in the five-year forecast submitted to ODE.
[1] Includes Operating Transfers-in, Advances-in, and Other.
[2] Includes Employees' Retirement/Insurance Benefits.
[3] Includes Debt Service: Principal (H.B. 264 Loans), Interest & Fiscal Charges, and Other.
[4] Includes Operational Transfers-out, Advances-out, and Other.

As shown in **Table 2-1**, the District is not projecting any General Fund deficits during the forecast period. This can be attributed the Treasurer's assumption that voters will renew a 6.5-mill operating levy in FY 2007-08. By its nature, forecasting requires estimates of future events,

and therefore, differences between projected and actual results are common, as circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared. To illustrate, the Treasurer's June, 2006 forecast projected an unreserved fund balance of nearly $2.2 million in FY 2010-11. The forecast presented in **Table 2-1**, however, projects an unreserved fund balance of less than $80,000 in that year, the reduction is a result of Board actions to restore funding for extra-curricular activities, and reinstate several custodial, administrative, and support positions which were eliminated previously. According to the Treasurer, this was in recognition that short-term expenditure reductions had a negative impact on the quality of education and the infrastructure of school facilities.

Although performance audit field work began prior to the passage of the two most recent levies, this did not impact AOS's conclusion that the Treasurer's November forecast and assumptions are reasonable and require minimal revision (see **R2.7**). Nonetheless, the Treasurer is projecting significant decreases in unreserved General Fund balances during the forecast period. In fact, the May 2007 forecast shows a deficit of about $800,000 in the final year of the forecast.

Local Revenue

Table 2-2 compares local revenue received by Lake LSD, the peer average, and the average of other districts within Wood County.

Table 2-2: Local Revenue Comparison – FY 2004-05

	Lake LSD	Peer District Average	Wood County Average
Assessed Value per ADM	$151,428	$141,158	$139,791
Property/Income Taxes Collected	$6,789,016	$19,389,342	$10,846,603
Dollars Collected Per ADM	$4,492	$4,505	$5,406
Dollars Collected as % Assessed Value	3.0%	3.2%	3.9%

Source: ODE and the Ohio Department of Taxation

As shown in **Table 2-2**, Lake LSD earns less local revenue per ADM and as a percentage of assessed value compared to peer and County averages. Assuming these trends continue throughout the forecast period, Lake LSD will likely be required to appeal to voters for additional tax resources to sustain basic operations. To illustrate, if voters do not renew a projected 6.5-mill operating levy in FY 2007-08, the District could experience a budget deficit of approximately $3.6 million by the end of the forecast period, necessitating reductions in key staffing and program areas. The District's forecast does not account for the financial impact of performance audit recommendations identified in Tables **2-8** and **2-9**.

ODE Performance Indicators

Tables 2-3 and **2-4** compare Lake LSD to the peer average using ODE's Expenditure Flow Model (EFM)[4] and Ohio proficiency test scores, as reported on local district report cards for FY 2005-06.

Table 2-3: District Expenditures per ADM Comparison – FY 2005-06

Expenditure Category	Lake LSD		Peer Average		Difference Above/(Below)	
	Total	Per Student	Total	Per Student	Total	Per Student
Administrative	$1,528,869	$955	$3,771,641	$850	(59.5%)	12.4%
Building Operations	$2,232,716	$1,394	$6,644,922	$1,536	(66.4%)	(9.2%)
Staff Support	$100,679	$63	$680,683	$154	(85.2%)	(59.1%)
Pupil Support	$859,481	$537	$3,549,520	$781	(75.8%)	(31.2%)
Instructional	$6,041,842	$3,772	$20,348,265	$4,590	(70.3%)	(17.8%)
Total	**$10,763,587**	**$6,721**	**$34,995,030**	**$7,911**	**(69.2%)**	**(15.0%)**

Source: ODE
Note: The EFM model uses districts' end-of-year financial records to organize expenditure data into meaningful and comparable categories at both the district and building levels. The model excludes debt service; adult education; industrial training; liability and employee self-insurances; workers' compensation self-insurance; student managed activities; auxiliary services; public pre-school; district-managed student activities; community service; and tuition to other districts.

In FY 2005-06, Lake LSD spent approximately $1,200 less per ADM than the peer average and $100 less per ADM, compared to FY 2004-05 expenditure levels. As of FY 2005-06, Lake LSD expenditures per ADM fell below the peer average in 4 out of 5 categories:

- Building operations (see **facilities**, **food service**, and **transportation**);
- Staff support (e.g., professional development and training);
- Pupil support (e.g., guidance counseling, college advising, and field trips); and
- Instruction (e.g., teachers, aides, textbooks and supplies, etc.).

The District exceeds the peer average in Administrative expenditures per ADM by 12.4 percent (over $100). This category encompasses Board expenses, the Superintendent's and Treasurer's offices, building principals, and other costs that do not deal directly with the education of students: planning, research, information services (see **technology**), and data processing. See **human resources** for additional information pertaining to administrative staffing and compensation.

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[4] ODE's EFM is a reporting method based on concepts developed by Dr. Bruce Cooper of Fordham University.

Table 2-4: Local District Report Card Comparison – FY 2005-06

Performance Indicator	Lake LSD	Peer Average
Academic Designation	Effective	Excellent [1]
Standards Met out of 25	19.0	24.7
Adequate Yearly Progress (AYP)	Not Met	Not Met [1]
Performance Index Score	92.6	104.0
Attendance Rate	95.5	95.9
Graduation Rate	90.8	98.0

Source: ODE
Note: ODE indicates that in order to meet federal AYP requirements, every student group must be at or above the annual goals or make improvement over last year. Graduation or attendance goals must also be met for the District as a whole.
[1] Of the 10 peers, all were designated as "Excellent," but Amherst EVSD, Northmont CSD, Norton CSD, Perry LSD, and Wadsworth CSD did not meet AYP.

In FY 2005-06, ODE designated Lake LSD as "Effective," because it met 19 of the State's 25 (or 76 percent) performance indicators. This is an improvement over FY 2004-05, when the District met only 70 percent of State indicators. Although below the peer average, the District's overall performance index score has improved from 90.2 to 92.6 since FY 2003-04. The District's attendance and graduation rates (see **R2.3**) also fall below the peer average. It should be noted that the full-time Curriculum Director position was eliminated in FY 2004-05 due to funding constraints but was restored on a part-time basis in FY 2006-07 (see **human resources**).

Governmental Fund and Discretionary Expenditures

Table 2-5 illustrates Lake LSD and peer district Governmental Fund operational expenditures by function on a per ADM basis and as a percentage of total expenditures. Governmental Fund expenditures differ from ODE's Expenditure Flow Model because they encompass all District costs, including some costs which are paid through enterprise funds (e.g., food service) and all debt and facilities-related expenditures. Also, the Governmental Fund contains grant-related expenditures which may be restricted in their use.

Table 2-5: Governmental Fund Expenditures by Function (in 000s)

USAS Function Classification	Lake LSD FY 2004-05		Peer Average FY 2004-05		Lake LSD FY 2005-06	
	$ Per ADM	% of Exp	$ Per ADM	% of Exp	$ Per ADM	% of Exp
Instructional Expenditures[1]:	**$4,568**	**57.0%**	**$4,700**	**59.5%**	**$4,955**	**60.2%**
Regular Instruction	$3,511	43.8%	$3,760	47.7%	$3,762	45.7%
Special Instruction	$915	11.4%	$687	8.7%	$1,043	12.7%
Vocational Education	$142	1.8%	$182	2.3%	$150	1.8%
Adult/Continuing Education	--	--	$1	< 0.1%	--	--
Other Instruction	--	--	$70	0.9%	--	--
Support Service Expenditures:	**$2,991**	**37.3%**	**$2,890**	**36.6%**	**$2,882**	**35.0%**
Pupil Support Services	$410	5.1%	$446	5.7%	$372	4.5%
Instructional Support Services	$279	3.5%	$315	4.0%	$252	3.1%
Board of Education	$41	0.5%	$16	0.2%	$73	0.9%
Administration	$590	7.4%	$610	7.8%	$590	7.2%
Fiscal Services	$293	3.7%	$169	2.1%	$280	3.4%
Business Services	--	--	$53	0.7%	--	--
Plant Operation & Maintenance	$875	10.9%	$770	9.8%	$783	9.5%
Pupil Transportation	$416	5.2%	$432	5.5%	$443	5.4%
Central Support Services	$87	1.1%	$80	1.0%	$89	1.1%
Non-Instructional Services Expenditures	**$81**	**1.0%**	**$82**	**1.1%**	**$89**	**1.1%**
Extra-curricular Activities Expenditures	**$374**	**4.7%**	**$219**	**2.8%**	**$304**	**3.7%**
Total Governmental Fund Expenditures	**$8,014**	**100%**	**$7,892**	**100%**	**$8,230**	**100%**

Source: Lake LSD and peer 4502s and SF-3s for FYs 2004-05 and 2005-06, as reported by ODE
Note: Differences may occur due to rounding.
[1] Excludes extracurricular activities, classroom materials and fees, and miscellaneous expenditures which were reported as $0 for Lake LSD and the peers for these years.

As indicated in **Table 2-5**, Lake LSD's Governmental Fund expenditures per ADM exceeded the peer average in FY 2004-05 by $122. This can be attributed to higher support services expenditures per ADM, especially within the Board of Education, Fiscal Services, and Plant Operation & Maintenance line items. Extra-curricular activities expenditures per ADM also exceeded the peer average in that year, but Lake LSD reduced these expenditures by $70 per ADM in FY 2005-06. With the exception of Special Education Instruction, instructional expenditures fell below the peer average on a per ADM basis and as a percentage of total Governmental Fund expenditures.

In FY 2005-06, the District's instructional expenditures increased 8.5 percent ($387 per ADM) in the Governmental Fund. As shown in **Table 2-3**, however, Lake LSD's instruction-related expenditures per ADM still fall below the peer average. The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting

process. Given the limited resources available, functions must be evaluated and prioritized through up-to-date, formal strategic and planning processes (see **R2.1** and **R2.2**), with sufficient feedback from stakeholders. The District could potentially bring its future expenditures per ADM more in line with peer averages if the recommendations in this performance audit are implemented.

Lake LSD's discretionary spending[5] per ADM ($857) fell slightly below the peer average ($916) in FY 2004-05 and was commensurate as a percentage of General Fund expenditures (approximately 12 percent). This is attributed, in part, to a $100 per ADM reduction in textbooks and reference materials. The District is proportionately high in discretionary professional and technical services spending (see **R2.7**); however, this is attributed to purchased service costs associated with special needs education and the Wood County Education Service Center (ESC). See **human resources** for additional information regarding special needs staffing and compensation.

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[5] Discretionary spending consists of categories such as professional and technical services, communications, general supplies, textbooks, insurance, contracts, pupil transportation, etc.

Recommendations

Strategic Management

R2.1 **Given recent voter approval of two levies, Lake LSD should reinvigorate its strategic planning process by updating its *Continuous Improvement Plan* and publishing it – along with its mission and belief statements – on the District website. The District should update this plan to include academic, operational, and fiscal management goals that are developed with input from key stakeholders, linked directly to the five-year forecast, and able to be formally measured. This will help to ensure that District priorities are aligned in accordance with ODE recommendations, monitored, and communicated effectively.**

Lake LSD's mission is to "prepare, motivate, and challenge all students to achieve their full potential, eager to contribute to a diverse global society, by providing excellent opportunities and services in partnership with our rural/suburban community." This mission statement and accompanying belief (or value) statements – though not online – were published within the District's previous, three-year *Continuous Improvement Plan* (2001-2004); reflecting ODE's recommendation[5] that school district decisions "focus on what is best for students."

Lake LSD's *Continuous Improvement Plan* was developed using a strategic planning process that incorporated a number of best practice elements suggested by GFOA's *Recommended Budget Practice on the Establishment of Strategic Plans* (2005) and other sources. The District's process was formal, included extensive feedback from internal and external stakeholders, demonstrated a keen awareness of issues impacting decisions, included prioritized goals with defined actions steps and timelines, and assigned responsibility for action steps to individuals. This process, in conjunction with strong internal controls, helped to minimize the negative impact of historical operating levy failures.

Nonetheless, the District's financial condition necessitated cost-cutting measures, like wage freezes, eliminating the Curriculum Director position, etc., that resulted in a priority shift away from strategic planning to achieve the District's mission and toward obtaining new local revenue (see **Table 2-2**). Alone, the District's internal controls (five-year forecasts, policies, procedures, State and federal audits) cannot sufficiently link financial decision-making to academic and operational improvement goals, as suggested by ODE.

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[5] ODE. *A New Direction for Ohio's School Funding: Designing a System that Relates Resources to Results* (January, 2007).

Lake LSD's *Continuous Improvement Plan* does not adequately link goals in these key areas. With the exception of major construction projects, for example, the *Continuous Improvement Plan* focuses primarily on improving academic performance and community relations. The plan does not incorporate operations-level objectives, such as fully privatizing the food service function (see **human resources** and **food service**) and replacing buses and computers (see **transportation** and **technology**). Further, the *Continuous Improvement Plan* does not incorporate District-wide fiscal management goals stipulated within Board policy. Finally, the *Continuous Improvement Plan* is not strategically linked to the District's five-year forecast (see **R2.2**) and does not include specific and measurable academic, operational, and financial performance measures (see **R2.3**).

Dublin City School District (Franklin County) incorporates instructional and operational action steps within its district-wide strategic plan. This helps to ensure that both academic and non-academic goals are communicated, and goal attainment is monitored, and evaluated. Moreover, Chardon LSD (Geauga County) includes significant detail in its strategic plan. Chardon's five-year plan includes mission and vision statements, operational and academic goals and objectives, as well as strategies it intends to employ to meet objectives. In addition, Chardon LSD involves parents and the community in the strategic planning process. Specifically, it has established a planning committee, comprised of 25 individuals, including teachers, administrators, parents, and high school students. This committee meets for three days to develop mission, goals, beliefs, and strategies then presents the final document to the local board of education for approval. The district then solicits additional volunteers to serve on action planning sub-committees, which meet for about three months to formalize action plans and assess the costs and benefits of established goals.

ODE is beginning to promote district-wide academic, operational, and financial decision-making alignment through its electronic Comprehensive Continuous Improvement Plan (CCIP) system.[6] This system integrates financial data with planning data and requires that school districts budget the use of these resources in accordance with their stated goals and objectives. Without an updated strategic planning process, the District cannot effectively link resources to intended goals and objectives, nor can it effectively communicate these goals and objectives to stakeholders. It also cannot measure its performance against the District's goals. Should the Treasurer's forecast assumptions change significantly, Lake LSD will not be in the best position to realign priorities to meet its stated mission.

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[6] Http://ccip.ode.state.oh.us/ccip/default.asp

R2.2   Lake LSD should prepare a formal budget document containing detailed information and supporting materials that highlight key policies, goals, objectives, and issues for the upcoming fiscal year. This will help link the budget to the District's strategic plan (see R2.1). The document should be made available to the public (published online) and should provide budget estimates and historical comparisons at both summary and line-item levels of detail. Financial trends and factors affecting the budget should be explained, including the District's long-range outlook, expected tax collections and State funding levels, anticipated need for future borrowing, and significant use of, and changes in, fund balances.

In addition, the budget document should include key performance measures (see R2.3) and a guide to operations that illustrates staffing levels and organizational information. Charts and graphs should be used to increase the document's readability. Furthermore, the budget document should include a concise summary and explanation of the District's budgetary basis of accounting. This will help to facilitate improved annual reporting (see R2.8) and show that the District is using its resources in an efficient manner.

Lake LSD does not follow a formal, strategic budgeting process to guide its short and long-term financial planning activities. Although the budgeting process is decentralized to include input from internal stakeholders at the building level (e.g., principals), this process is relatively new to the Treasurer, who relies on previous Board minutes and agenda to set calendars and schedules for budgeting/forecasting and final year-end work. Lake LSD updates its budget every six months, and the Treasurer discusses budget-to-actual details with the Board on a monthly basis. However, the Treasurer's five-year forecast is not linked to the District's mission statement, or to updated academic, operational, and fiscal management goals, objectives, and performance measures (see **R2.3**).

While strategic planning identifies the action steps necessary to manage goals and objectives, a strategic budgeting process identifies the financial resources necessary to meet them. According to GFOA's *Ohio Financial Accountability Certification – Elected Officials Guide* (2007), there has been a resurgence of interest in multi-year budgeting, prompted by a realization by governments of the difficulty in linking long-term strategic plans with the financial planning processes in annual budget cycles. In fact, GFOA's *Recommended Budgeting Practices* (2006) specifically recommends that governments develop a budget that is consistent with approaches to achieve goals, and includes the following items:

- **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, which helps to enable reasoned decision making about the use of resources. 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.

ODE further stipulates that "conscious efforts to align financial decisions to a district's data-driven plan for academic improvement have the greatest potential for improving [the efficient use of resources] in education." Without a formal, strategic budgeting process, Lake LSD limits its ability to effectively and efficiently link financial resources to goals and objectives.

R2.3 **Lake LSD should develop formal academic, operational, and financial performance measures that can be linked to its mission and recommended strategic planning and budgeting processes. This will help to ensure that goals and objectives are effectively monitored and that progress is regularly communicated to stakeholders.**

Lake LSD's outdated *Continuous Improvement Plan* contained a number of performance indicators intended to measure progress on goal achievement. Notable examples include the following:

- Lake LSD bulletins and newsletters will be available to 100 percent of employees and student households in 2002;
- The new middle school will be 100 percent complete by Summer, 2003; and
- All buildings will be 100 percent functional by FY 2003-04.

However, these indicators are not true measures of performance outcomes. To illustrate, these indicators are broad and cannot be easily linked to the District's mission, nor can they be aligned with academic, operational, and financial goals and objectives.

ODE suggests that the business of education is becoming increasingly data-driven, motivating efforts toward improving student outcomes (e.g., high school graduation rates, test scores, etc.). Although a wealth of financial data is available through the Uniform School Accounting System (USAS), State and local efforts to link such data to student outcomes is minimal. Formal performance measures allow a better understanding of how effectively and efficiently financial resources are used to support school district missions.

GFOA's *Using Performance Measurement for Decision Making* (2002) indicates that a key responsibility of local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible, and to communicate the results of these efforts to stakeholders. When linked to the budget and strategic planning process, performance measures can be used to assess accomplishments on an organization-wide basis.

For example, districts like Lakota LSD and Chardon LSD assesses the progress made toward achieving established strategic goals and objectives. Chardon LSD develops yearly implementation plans to assess whether it achieved the goals and objectives identified in its strategic plan. It monitors progress by evaluating the implementation plan and preparing a report for the board of education. The report provides details concerning what objectives were met, how they were met. If the district did not meet an objective, an explanation is provided as to why.

The following are examples of academic, operational, and financial goals/objectives and performance measures based on GFOA models that Lake LSD can link to its five-year forecast through strategic budgeting (see **R2.2**):

A. <u>**Academic**</u>

If the District's goal is to improve the high school graduation rate to meet the similar district average (see **Table 2-4**), then a specific objective can be to increase the high school graduation rate to 98 percent by FY 2010-11. Examples of appropriate performance measures (input/outcome) include the number of high school seniors at the beginning of each academic year; General Fund expenditures per high school senior per year; the number and percent of high school seniors graduating per year; and General Fund expenditures per graduating high school senior per year.

B. <u>**Operational**</u>

If the District's goal is to reduce school bus transportation costs (see **transportation**), then a specific objective can be to reduce fuel costs per gallon by 15 percent in each of the next five years (see **R5.4**). Another objective could be to increase school bus ridership from 80 riders per bus to 100 (see **R5.5**). These objectives can be measured using fuel expenditures per bus per year; riders per bus per year; percent reduction in fuel cost per bus from previous year; and percent increase in riders per bus from previous year.

C. <u>**Financial**</u>

Finally, if the District's goal is to improve the accuracy of five-year financial forecasts, then a specific objective can be to maintain a budget-to-actual variance of less than 5 percent for General Fund line items over $100,000. Performance measures include General Fund actual/projected revenues; General Fund actual/projected expenditures; percent by which projected revenues exceed actuals; and percent by which projected expenditures exceed actuals.

When used in long-term planning and goal-setting processes and linked to the District's mission, meaningful performance measures can assist governments and citizens in assessing results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery. Without a system of formal performance measurement, Lake LSD cannot effectively monitor the achievement of its mission through academic, as well as operational and financial goals and objectives.

Internal Control Policies

R2.4   **The Board should adopt and approve additional fiscal management policies, particularly regarding fund stabilization; requiring that the District's General Fund maintain a balance of unreserved funds. In this policy, the unencumbered balance should be between 5 and 15 percent of regular General Fund revenues; no less than 2 months worth of regular General Fund expenditures. The Board should also formally define specific uses for unreserved funds to ensure resources are available in times of emergency and economic decline. This is especially important given Lake LSD's declining ending cash balance projections (see Table 2-1) and the historical difficulty in levy passage within the District.**

Lake LSD does not have a formal policy that guides the use of unreserved (or surplus) funds. Although strong internal controls (e.g., Treasurer's Office handbook) and cost-cutting measures (e.g., wage freezes) have helped to avoid deficits, the District's levy passage history is indicative of the need to account for unreserved funds should financial conditions change. To illustrate, if voters do not renew a projected 6.5-mill operating levy in FY 2007-08, the District will likely experience a budget deficit of approximately $3.6 million by the end of the forecast period. This does not include the financial impact of performance audit recommendations listed in **Tables 2-8** and **2-9**.

GFOA's *Policy on Stabilization Funds* (2000) recommends that entities develop policies which guide the creation, maintenance, and use of resources for financial stabilization purposes. GFOA further recommends that governments maintain an unreserved balance in the General Fund of between 5 and 15 percent of operating revenues; no less than 2 months worth of expenditures. However, the adequacy of an established unreserved fund balance in the General Fund should be assessed based upon a government's specific financial condition. As such, the policy should account for the following:

- Applicable legal and financial restraints;
- Predictability and stability of revenue and expenditures;
- Availability of resources in other funds (e.g., Permanent Improvement) and their impact on the General Fund;
- Asset liquidity and net liabilities; and
- Designation of any portion of unreserved funds for a specific purpose.

Table 2-6 illustrates Lake LSD's historical actual and projected ending unreserved fund balances as a percentage of total operating revenue and expenditures.

Table 2-6: Historical Actual and Projected Unreserved Fund Balances

	Historical Actual			Projected				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Total Revenue	$12,056	$11,457	$11,683	$12,766	$13,490	$12,460	$11,644	$11,441
Total Expenditures	$12,215	$11,517	$11,186	$11,887	$12,873	$13,522	$14,188	$14,749
Unreserved Fund Balance	$1,248	$979	$1,372	$2,321	$2,934	$3,006	$1,924	$78
As a Percentage of Total Revenue	*10.4%*	*8.5%*	*11.7%*	*18.2%*	*21.7%*	*24.1%*	*16.5%*	*0.7%*
As a Percentage of Total Expenditures	*10.2%*	*8.5%*	*12.3%*	*19.5%*	*22.8%*	*22.2%*	*13.6%*	*0.5%*

Source: Lake LSD and ODE

Although no General Fund deficits are projected during the forecast period, **Table 2-6** indicates that the District's ending unreserved fund balances will exceed GFOA benchmarks (5 to 15 percent) between FYs 2006-07 and 2009-10, and are expected to fall significantly below GFOA benchmarks in FY 2010-11.

Without a policy for unreserved fund balances, Lake LSD cannot effectively ensure that resources will be available to fund future priorities should current financial conditions change (see **Table 2-7**). Given the District's levy passage history and its negotiated obligations, the Board may not always be able to maintain an unreserved fund balance that meets GFOA criteria. Nonetheless, the Board should stipulate in policy how any surplus funds are to be used and clearly communicate the purpose of maintaining such a balance to stakeholders. This will help to ensure surplus balances are used appropriately and are available in times of emergency.

R2.5 **The Board should develop and approve fiscal management policies modeled on best practices that address the following topics:**

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

Comprehensive 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 budgets. By adopting GFOA-recommended policies in these areas, the District can strengthen its internal controls to better anticipate and plan for unforeseen contingencies.

The Board updated its fiscal management policies in March, 2006. While these policies are comprehensive and include links to fiscal management goals, they do not address the following topics, as recommended by GFOA's *Recommended Budgeting Practices* (2006):

- **Debt Level and Capacity** – to define the level of debt the District is willing to assume, as well as to stipulate which funds will support debts, and to ensure resources are available to make debt payments in a timely manner.

- **Use of One-Time Revenues** – to prohibit the use of one-time revenues for ongoing expenditures because by definition, one-time revenues can not be relied on in future budget periods.

- **Diversity of Revenues Sources** – to encourage diversity of revenue sources because all revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on taxes and taxpayers.

- **Contingency Planning** – to guide the financial actions the District will take in the event of emergencies, natural disasters, and other unexpected events (see **technology**).

Although its internal controls are relatively strong, the absence of formal policies in these areas may result in weakened controls and a risk of loss in the event of unanticipated events (e.g., disasters).

Forecasting Procedures

R2.6   Lake LSD should develop formal standard procedures for developing the five-year financial forecast. These procedures should include, but are not limited to, evaluating community conditions, timeline of review and completion, and supporting documentation for assumptions which includes methodology used for projected line items. These procedures should also address key forecast factors, including parties responsible for information, periods covered, and the development process. The District should also continuously update the guidelines to reflect changes to the forecasting process.

In addition to enhanced accountability, formal procedures will help the District meet its fiscal management goal to "establish effective procedures for accounting and provide timely and appropriate information." This will also help to ensure operational continuity in the absence of employees with extensive institutional

knowledge including the Treasurer and Superintendent positions, which have experienced recent turnover.

During the course of the audit, Lake LSD began implementation of policies and procedures to formalize the forecasting process.

Although the Board's fiscal management policies are comprehensive and up-to-date, they do not provide details regarding the creation and completion of the five-year forecast. In creating the five-year forecast, the Treasurer reviews and creates projections for each individual line item of the forecast, taking into consideration specific issues which will affect the line items. More specifically, the Treasurer prepares the forecast based on historical information, trend analysis, and knowledge of current legislative developments, as well as the most recent property valuation. The Treasurer provided detailed assumptions used in projecting the various line-items as well as spreadsheets and documentation to support material line-item projections.

According to the Treasurer, the Superintendent and Board are included in the forecasting process through discussion and review of the assumptions and forecast amounts. The forecast is provided to the Superintendent and Board members approximately one month prior to the Board meeting at which the five-year forecast is discussed. This allows the Superintendent and Board members appropriate time to review the forecast as well as generate any potential questions or additional explanation that needs to be discussed.

General guidelines for forecasting are available from several sources including GFOA's *Recommended Budgeting Practices* (2006) and AICPA's *Forecast Preparation Guidelines* (2006). Best practice guidelines include the following:

- Forecasts should be prepared in good faith using the best information available at the time;
- Forecasts should be prepared with care by qualified personnel using appropriate accounting principles;
- Forecast information should be consistent with the long-range plans of the entity;
- Assumptions should be appropriate and should include identified key factors that impact the entity;
- The determination of variations in major assumptions should be included in the forecast;
- Forecasts should include adequate documentation of the financial forecasts and the process used to develop them;
- The forecasting process should include regular reviews of variances, comparing forecasted amounts with actual results; and

- Adequate review and approval of forecasts by the responsible party at the appropriate levels of authority is an essential component of the forecasting process.

According to GFOA, the forecasting process should include opportunities for the superintendent and board members to participate. A general-purpose public hearing shortly before final decisions are made on the forecast is not adequate as the sole means of soliciting input from board members and the superintendent, especially on major issues. The process developed for obtaining information from others should ensure that information is gathered in a timely and complete manner to be useful in financial decision-making.

Although the current practices for creating the five-year forecast are appropriate, the District does not have formal procedures regarding key forecast factors, including parties responsible for information, periods covered, and the development process. By creating formal procedures that reflect the process by which it forecasts and plans for the future, the District will have a written set of guidelines and clearly defined roles for those involved in the forecasting process. This will also provide consistency when employee turnover occurs, providing a framework for future District administrators.

R2.7   In conjunction with the development of formal forecasting procedures, Lake LSD should revise forecast assumptions of significant General Fund expenditures (e.g., fringe benefits, purchased services) to include procedures for projecting individual object code line items. As it pertains to the forecasted *fringe benefits* assumption, the Treasurer should include individual projections for each of the following components:

- **Health/Medical insurance;**
- **Retirement;**
- **Workers' compensation;**
- **Deferred compensation; and**
- **Unemployment compensation.**

In regards to *purchased services*, the Treasurer should include individual projections for significant components, including:

- **Professional and Technical Services (i.e. Wood County ESC-related costs);**
- **Property Services;**
- **Communications;**
- **Tuition;**

- **Utilities; and**
- **Pupil Transportation.**

This will help to ensure the accuracy of projections through an increased understanding of significant cost components. In addition, by submitting detailed assumptions to ODE in electronic format, the Treasurer can facilitate improved communication of Lake LSD's complete financial condition.

The Treasurer should also link *capital outlay* and *supplies and materials* line items to a recommended District-wide facilities master plan (see facilities). This will help to minimize projection assumptions and establish clear expectations for the allocation of resources.

During the course of the performance audit, the Treasurer began publishing Lake LSD's forecast and assumptions online in portable document format (or PDF) on the District's web site. However, at the time of reporting, these had not been posted to ODE's web site.

Lake LSD's forecast assumptions for *fringe benefits* and *purchased services* line items lack specificity as they do not include individual projections for significant object code cost components. For example, the Treasurer projects a 10 percent increase in retirement and insurance for FY 2007-08 and beyond. This assumption, however, does not specify how other object codes (e.g., unemployment, workers' compensation, and deferred compensation) will impact expenditures in this line item. The Treasurer projects gradual increases in *purchased services* expenditures, attributable primarily to rising energy costs and ESC-related services (professional and technical services), yet the assumption does not discuss the impact of property insurance, building maintenance and repairs (see **facilities**), communications, or tuition.

Although the Treasurer is forecasting conservatively by projecting increases for significant expenditure line items, the assumptions lack key cost component details. This can be partially attributed to the fact that, until recently, ODE did not have the capability to accept more highly detailed assumptions in electronic (or PDF) format. Moreover, the absence of a formal master facilities plan – compounded by recent budget constraints – has contributed, in part, to the postponement of equipment purchases and capital improvement projects (see **R4.1**). This has also created a budgeting problem, whereby the Treasurer cannot forecast related expenditures with optimal accuracy. Rather than including specific percentage increases in *capital outlay* expenditures that are linked to particular projects, the District assumes "modest increases" to fund an undetermined quantity of furniture, fixture, and equipment replacements. This negatively impacts

supplies and materials projections because the forecast is not linked to specific building-level projects (closings, new construction, etc.).

In contrast, Oak Hills LSD's *capital outlay* assumption links expenditures to projects identified within the "Operations Department Five-Year Improvement Plan." Furthermore, Oak Hills LSD's *supplies and materials* assumption links textbook projections by year to "an annual review of building needs." Without a facilities master plan that can be linked to significant line items, the Treasurer cannot effectively predict the impact current projects have on expenditures, let alone future projects and expenditures that are forecasted five years out.

According to ODE's *A New Direction for Ohio's School Funding: Designing a System that Relates Resources to Results* (2007), there is great value in the stability and predictability of funding. If a district understands, with enough lead time, the amount of resources that are available, it can manage more effectively within those resources. Of the peers, only Oak Hills LSD and Jackson LSD submit PDF assumptions to ODE. Oak Hills LSD provides the most cost component detail in its *fringe benefit* and *purchased services* assumptions. Unlike Lake LSD, Oak Hills LSD's assumptions include projections for workers' compensation, unemployment, property services, and tuition.

Without additional object code-level details, the Treasurer may not capture the full impact of significant object codes on forecasted expenditures. Also, by not submitting PDF assumptions to ODE, the District cannot effectively communicate a complete understanding of its financial condition to internal and external stakeholders.

Financial Reporting

R2.8   The Treasurer should enhance financial reporting through preparation of a formal District Comprehensive Annual Financial Report (CAFR), as well as a Popular Annual Financial Report (PAFR). The District should publish these reports online to ensure all stakeholders are informed of the District's financial condition. This will help to improve accountability through more formal financial reporting and will also encourage greater community involvement and understanding of District finances and operations.

Lake LSD does not prepare formal CAFRs and PAFRs because neither is required under Generally Accepted Accounting Principals (GAAP) and the Treasurer's Office is focused on other day-to-day responsibilities (e.g., payroll and purchasing). Nonetheless, the District's financial statements and audits are highly detailed and may discourage stakeholders (the general public) who are unfamiliar with accounting and financial reporting from taking an active interest in the Lake LSD's overall condition. GFOA's

Preparing Popular Reports (2006) indicates that CAFRs and PAFRs provide a simplified, easy-to-read format that governments can use to communicate finances with stakeholders, especially when published online.

CAFRs typically include the opinion of the independent auditor and are presented in three sections: introductory, financial, and statistical. The introductory section includes a transmittal letter, the District's organizational chart, and a list of principal officers. The financial section includes the independent accountant's report, management discussion and analysis, basic government-wide financial statements and fund financial statements, combining statements and individual fund schedules, and changes in fund balances. The statistical section includes historical changes in assets, historical fund balances and changes in fund balances, property tax rates, legal debt margin information, demographic and economic statistics, staffing statistics, historical school building information, historical education and operating statistics.

As it pertains to PAFRs, the GFOA recommends the following:

- Should be issued no later than six months after the close of the fiscal year, to ensure relevancy of information;
- Clearly defines the scope of information presented;
- References the CAFR, avoids complicated jargon, and maintains an objective, balanced tone;
- Captures reader attention with pertinent graphs, charts, pictures, etc.;
- Solicits stakeholder feedback; and
- Distributed in a manner appropriate to intended readership.

Of the peers, only Norton CSD publishes a CAFR and none publish a PAFR. In Wood County, Eastwood LSD[7] publishes a CAFR within its financial audits to "provide the taxpayers of the Eastwood LSD with comprehensive financial data in a format, which will enable them to gain an understanding of the school district's financial affairs." Moreover, Eastwood LSD submits its CAFR to neighboring jurisdictions (e.g., villages, townships, and municipalities) and libraries. Several high-performing districts publish their CAFRs and PAFRs online as recommended by GFOA, including Dublin CSD and Westerville CSD (Franklin County).

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[7] Eastwood LSD outsources its CAFR development function to a private accounting firm at an annual cost of nearly $10,000. Assuming Lake LSD develops its CAFR and PAFR in house, it can avoid outsourcing costs and absorb them as part of the Treasurer's duties.

Without a formal and easily accessible CAFR and PAFR, the District is not using all available tools to communicate its financial condition to stakeholders. As a result, Lake LSD may inadvertently discourage those unfamiliar with accounting and financial reporting from reviewing and understanding its finances and operations.

R2.9 **Lake LSD should consider implementing the recommendations in this performance audit to improve its current financial condition. In addition, the District should update its five-year forecast on an on-going basis as critical financial issues are addressed. Finally, the Treasurer should rely on the revised five-year forecast proposed in Table 2-7 to gauge its progress in meeting goals.**

Table 2-7 demonstrates the impact of performance audit recommendations on the five-year forecast, including financial savings and implementation costs.

Table 2-7: Lake LSD Revised Five-Year Forecast (000s)

General Fund Line Item	Historical Actual			Projected				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
General Property Tax (Real Estate)	$4,437	$4,605	$4,678	$5,486	$6,269	$5,594	$4,920	$4,977
Tangible Personal Property Tax	$1,386	$1,228	$1,260	$1,115	$866	$351	$77	$38
Unrestricted Grants-in-Aid	$4,259	$4,371	$4,381	$4,408	$4,470	$4,500	$4,530	$4,560
Restricted Grants-in-Aid	$79	$79	$50	$23	$23	$23	$23	$23
Property Tax Allocation	$549	$571	$557	$958	$1,059	$1,202	$1,373	$1,215
Other Revenues	$262	$355	$500	$524	$547	$533	$465	$371
Total Revenue and Other Financing Sources[1]	**$12,056**	**$11,457**	**$11,683**	**$12,766**	**$13,490**	**$12,460**	**$11,644**	**$11,441**
Personal Services	$6,676	$6,509	$6,069	$6,515	$7,012	$7,335	$7,668	$7,999
Fringe Benefits[2]	$2,008	$2,107	$2,040	$2,121	$2,199	$2,296	$2,378	$2,428
Purchased Services	$2,286	$2,041	$2,086	$2,272	$2,432	$2,605	$2,795	$3,000
Supplies & Materials	$518	$284	$301	$367	$415	$450	$480	$510
Capital Outlay	$77	$8	$79	$106	$266	$277	$287	$212
Other Expenditures[3]	$330	$331	$329	$231	$275	$285	$305	$325
Performance Audit Savings	--	--	--	($121)	($561)	($561)	($561)	($561)
Implementation Costs	--	--	--	$171	$95	$95	$95	$95
Total Operating Expenditures	**$11,895**	**$11,280**	**$10,904**	**$11,662**	**$12,133**	**$12,782**	**$13,447**	**$14,008**
Total Other Financing Uses[4]	$320	$237	$282	$275	$275	$275	$275	$275
Total Expenditures and Other Financing Uses	**$12,215**	**$11,517**	**$11,186**	**$11,937**	**$12,408**	**$13,057**	**$13,722**	**$14,283**
Result of Operations (Net)	*($159)*	*($60)*	*$497*	*$829*	*$1,082*	*($597)*	*($2,078)*	*($2842)*
Beginning Cash Balance	$1,562	$1,403	$1,343	$1,840	$2,679	$3,761	$3,164	$1,086
Ending Cash Balance	**$1,403**	**$1,343**	**$1,840**	**$2,679**	**$3,761**	**$3,164**	**$1,086**	**($1,756)**
Outstanding Encumbrances	$112	$110	$125	$125	$125	--	--	--
Textbook & Instructional Materials	$6	$157	$304	$273	$277	--	--	--
Budget Reserve	$37	$37	$37	--	--	--	--	--
Bus Services	--	$60	$2	--	--	--	--	--
Total Reservations	*$44*	*$254*	*$343*	*$273*	*$277*	--	--	--
Fund Balance (June 30)	**$1,248**	**$979**	**$1,372**	**$2,281**	**$3,359**	**$3,164**	**$1,086**	**($1,756)**
Property Tax – Renewal/Replace	--	--	--	--	--	$731	$1,462	$1,462
Property Tax – Cumulative	--	--	--	--	--	$731	$2,193	$3,655
Ending Fund Balance	**$1,248**	**$979**	**$1,372**	**$2,281**	**$3,359**	**$3,895**	**$3,279**	**$1,899**
Unreserved Fund Balance	**$1,248**	**$979**	**$1,372**	**$2,281**	**$3,359**	**$3,895**	**$3,279**	**$1,899**

Source: Lake LSD, ODE, and AOS recommendations

Note: Due to rounding, totals may vary slightly from the totals reflected in the five-year forecast submitted to ODE.

[1] Includes Operating Transfers-in, Advances-in, and Other.
[2] Includes Employees' Retirement/Insurance Benefits.
[3] Includes Debt Service: Principal (H.B. 264 Loans), Interest & Fiscal Charges, and Other.
[4] Includes Operational Transfers-out, Advances-out, and Other.

Assuming Lake LSD implements all performance audit recommendations and voters renew the projected 6.5-mill operating levy in FY 2007-08 (see **Table 2-1**), the District will likely experience a General Fund surplus of approximately $2.08 million by the end of the forecast period. Assuming voters do not renew the projected levy, however, the General Fund could experience a $1.57 million deficit by FY 2010-11.

Table 2-8 summarizes the performance audit recommendations with savings and cost avoidances that are reflected in the revised five-year forecast shown in **Table 2-7**. Recommendations are divided into categories, separating those that are subject to negotiation with collective bargaining units from those that are not.

Table 2-8: AOS-Recommended Savings and Cost Avoidances

Recommendation	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Subject to Negotiation					
R3.3 Limit fringe benefit pick up for FY 2007-08	--	$56,000	$56,000	$56,000	$56,000
R3.4 Raise contribution rates for dental and vision coverage to 20 percent	--	$28,000	$28,000	$28,000	$28,000
R3.4 Eliminate dollar caps for certificated and classified employees on health care contribution rates, and increase contribution rate to 10 percent	--	$22,000	$22,000	$22,000	$22,000
R3.6 Obtain BWC discount for implementation of DFWP program	--	$3,700	$3,700	$3,700	$3,700
R3.7 Reduce custodial overtime	--	$1,800	$1,800	$1,800	$1,800
R6.1 Complete privatization of food service operations	--	$61,000	$61,000	$61,000	$61,000
Not Subject to Negotiation					
R3.2 Reduce 4.0 FTE regular education teachers, 1.0 FTE ESPs, 1.0 FTE remedial specialists	--	$298,000	$298,000	$298,000	$298,000
R4.9 Implement an energy conservation educational program	--	$43,000	$43,000	$43,000	$43,000
R5.4 Obtain competitive pricing from local fuel suppliers	--	$12,000	$12,000	$12,000	$12,000
R5.5 Reduce staffing levels by two regular bus drivers	--	$34,800	$34,800	$34,800	$34,800
R5.5 Eliminate two active buses from the fleet	$120,000	--	--	--	--
R6.3 Charge expenses to Food Service Fund[1]		$10,000	$10,000	$10,000	$10,000
R7.11 Replace ink-jet printers	$800	$800	$800	$800	$800
Total	**$120,800**	**$561,350**	**$561,350**	**$561,350**	**$561,350**

Source: AOS recommendations

Note: Where applicable, financial implications have been adjusted for compounding factors over time.

[1] Only $10,000 of the $24,000 cost allocation is included in the Revised Five-Year Forecast (**Table 2-7**) because the Food Service Fund had a positive balance of only $14,000 at the end of FY 2005-06. As the Food Service fund can not absorb the full $24,000 under current expenditures and meal pricing structures, a savings of only $10,000 to the General Fund is reflected in the revised forecast.

Finally, **Table 2-9** summarizes the implementation costs associated with performance audit recommendations. Each identified cost depends on Lake LSD's decision to implement the associated recommendation and the timing of the implementing decision.

Table 2-9: AOS-Recommended Implementation Costs

Recommendation	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
R3.6 Develop a transitional work program	$4,000	--	--	--	--
R3.15 Attend OSBA Board Training	$700	--	--	--	--
R4.3 Subscribe to an automated, online work order system	$2,300	$2,300	$2,300	$2,300	$2,300
R4.5 Purchase ISSA handbook	$60	--	--	--	--
R4.6 Establish a training budget for facilities personnel	$11,000	$11,000	$11,000	$11,000	$11,000
R5.4 Install/insure on-site fuel storage tank	$72,000	$1,000	$1,000	S1,000	$1,000
R7.3 Replace 62 computers	$74,400	$74,400	$74,400	$74,400	$74,400
R7.11 Replaced ink-jet printers	$6,500	$6,500	$6,500	$6,500	$6,500
Total	**$170,960**	**$95,200**	**$95,200**	**$95,200**	**$95,200**

Source: AOS recommendations
Note: Where applicable, financial implications have been adjusted for compounding factors over time.

Appendix 2-A: Summary of Objectives for Financial Systems

The following questions were used to evaluate financial systems performance within Lake LSD:

- Is the Treasurer's Office appropriately staffed to ensure effective delivery of financial services to users?

- Are revenues and expenditures properly controlled, reported, and similar to comparable peer districts? When necessary, does the District consider options to increase revenue?

- Has the District developed an integrated educational, business operations, and capital needs strategic plan that meets best practice criteria and the requirements of ODE?

- Is the District's financial planning process sufficient and appropriate when compared to recommended practices?

- Does the District formally set performance targets, evaluate the performance and cost of its major educational and operational programs and use evaluation results to improve program performance and cost-efficiency?

- Does the District produce an annual budget that meets GFOA best practice criteria?

- Has the District established adequate internal controls? Does the District have an effective internal audit function and does it use the audits to improve its operations?

- Has management developed and distributed written procedures for critical accounting processes and does it promote ethical financial management practices? Are these policies in line with best practices?

- Does the District sufficiently monitor, measure, and evaluate financial performance?

- Does the District actively involve parents and guardians, business partners, and community organizations in the decision-making process?

- Does the District provide financial reports to the community and stakeholders?

- Are the District's purchasing practices in line with recommended and best practices?

- Does the District warehouse function meet best practice standards?

- Does the District meet best and recommended practices in vendor payment processes?

- Are District payroll processes in line with recommended practices?

HUMAN RESOURCES

Human Resources

Background

This section focuses on the human resources (HR) operations within Lake Local School District (Lake LSD or the District). **Appendix 3-B** provides a summary of the audit objectives for the human resources section. The District's HR operations were evaluated against best practices and operational guidelines or standards from several sources including the Ohio Revised Code (ORC), Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the Kaiser Family Foundation Annual Survey (Kaiser), the State Employment Relations Board (SERB) and the Ohio School Board Association (OSBA). In addition, ten Type 6 districts with similar demographics (high median income and low poverty rates), high Ohio Proficiency test scores, and low per-pupil expenditures were used for peer comparisons throughout the report.[1] Three additional peer districts[2] were selected for specific comparisons because of their geographic proximity to Lake LSD. As part of the performance audit assessment, a survey was administered to Lake LSD employees regarding HR operations. Results of the survey were used, where appropriate, to illustrate conditions within the District. A summary of survey questions and results is included in **Appendix 3-A**.

Organizational Structure and Function

Lake LSD does not have a dedicated HR department. Primary HR responsibilities are completed by the Superintendent, Treasurer, building principals, supervisors, and central office clerical support personnel. The Superintendent is responsible for administration and oversight of employee recruitment and selection processes, bargaining unit negotiations, and supplier-contracted services. The Treasurer's Office is responsible for the following HR-related activities:

- Processing payroll;
- Preparing cost estimates associated with bargaining unit proposals;
- Tracking personal, vacation and sick leave usage;
- Tracking medical, dental and life insurance enrollments and changes;

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[1] The ten districts used for peer comparisons include Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County).

[2] Northwood Local School District (Wood County), Benton-Carroll-Salem Local School District (Ottawa County), and Rossford Exempted Village School District (Wood County).

- Verifying employment of current and former employees; and
- Maintaining personnel files.

Building principals and other department supervisors hire staff, conduct new employee orientations, complete employee evaluations, and address employee performance issues. The Education Management Information Systems (EMIS) Coordinator validates staff classifications. District clerical staff performs data entry and administrative support functions. Finally, the Special Education Coordinator at the Wood County Education Service Center (ESC) manages the District's special education program.

Lake LSD uses State software to maintain human resources records. The Uniform School Payroll System (USPS) stores information such as benefit records and retirement contributions, allows viewable access to certain employees, and allows for conversion to EMIS with minimal time and effort.

Staffing

Table 3-1 illustrates the FY 2005-06 full-time equivalent (FTE) staffing levels per 1,000 students at Lake LSD and the peer district average as reported to ODE through EMIS. In addition, State minimum staffing requirements are listed for specific areas.

Table 3-1: Staffing Comparison (FTE per 1,000 Students[1])

	Lake LSD[2]	Peer District Average	Difference	State Minimum Teacher to Student Ratios
Average Daily Membership (ADM)	1,506.62	4,291.04	(2,784.42)	-
Administrators: Subtotal	**4.15**	**4.95**	**(0.80)**	**-**
Site Based Administrators	2.62	2.50	0.12	1 per school
Central Administrators	1.53	2.45	(0.92)	-
Educational Staff: Subtotal	**66.08**	**62.63**	**3.45**	**-**
Counselors	2.65	1.94	0.71	5:1,000[5]
Librarian / Media	0.66	0.41	0.25	5:1,000[5]
Remedial Specialist	2.65	0.97	1.68	-
Regular Teachers	47.56	43.46	4.10	1:25
Special Education Teachers [3]	4.08	5.27	(1.19)	Varies by disability
Vocational Teachers	1.99	1.57	0.42	-
Tutor / Small Group Instructors [3]	0.66	2.69	(2.03)	-
ESP Teachers	5.14	4.10	1.04	5:1,000[5]
All Other Educational Staff	0.66	0.81	(0.15)	-
Professional Staff: Subtotal	**0.86**	**2.53**	**(1.67)**	**-**
Technical Staff: Subtotal	**1.69**	**2.66**	**(0.97)**	**-**
Library Technicians / Aides	1.02	1.16	(0.14)	-
Instructional Paraprofessionals	0.66	0.75	(0.09)	-
Office / Clerical Staff: Subtotal	**6.97**	**12.45**	**(5.48)**	**-**
Clerical	4.31	5.20	(0.89)	-
All Other Office / Clerical Staff	2.65	1.72	0.93	-
Facilities: Subtotal [4]	**9.29**	**8.27**	**1.02**	**-**
Transportation: Subtotal	**8.79**	**7.18**	**1.61**	**-**
Food Service Workers [4]	**6.29**	**6.72**	**(0.43)**	**-**
All Other Reported Personnel	3.98	4.93	(0.95)	-
Total FTEs Reported	**108.10**	**109.41**	**(1.31)**	**-**

Source: EMIS data as submitted to ODE. EMIS data was tested by AOS staff and was found to be reliable. Peer data was not tested for reliability.

Note: Totals in bold lines may not equal actual detail due to the roll-up categories used in the table.

[1] Comparing staffing levels on a per-1,000 student basis eliminates actual FTE differences caused by the size of the peer districts.

[2] Lake LSD reported an FTE as equal to the maximum contract amount allotted for the position as required by EMIS guidelines and AOS staff has not adjusted staffing levels to reflect a standard 8-hour FTE status. As a result, 1.0 FTE does not always equal 8.0 hours per day.

[3] Total includes employees contracted with the Wood County Educational Services Center (ESC) to provide special education staffing per EMIS guidelines.

[4] Reflects adjustments to EMIS reported staffing levels to include 4.0 FTE custodian positions recalled in June 2006 and 1.0 FTE food service position inadvertently omitted by the District.

[5] Educational support personnel (ESP) consists of counselors, library media specialists, school nurses, visiting teachers, social workers, and elementary art, music, and physical education staff based on OAC § 3301-35-05 (A)(3). A minimum of 5 FTEs are to be employed district-wide for each 1,000 students in the regular student population.

As illustrated in **Table 3-1**, in FY 2005-06, Lake LSD employed 108.10 FTEs per 1,000 students. Overall, Lake LSD has fewer FTEs than the peer average. In many categories, it falls below the peer average – in some cases substantially so (e.g. clerical) However, it is higher in the educational, facilities, and transportation categories (see **R3.2**).

Table 3-2 illustrates FTE staffing level changes in each major classification category at Lake LSD from FY 2001-02 through FY 2005-06, as reported in EMIS.

Table 3-2: Lake LSD FTE Staffing Levels for FY 2001-02 through FY 2005-06

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Administrators	9.30	7.30	7.30	9.10	6.25
Educational Staff	88.70	91.70	92.20	111.94	99.55
Professional Staff	1.00	1.00	1.00	4.44	1.29
Technical Staff	2.54	2.54	2.54	2.54	2.54
Office / Clerical Staff	11.50	12.50	13.50	24.40	10.50
Maintenance Workers	0.00	0.00	0.00	1.00	1.00
Custodians / Ground keepers	11.00	13.00	13.00	14.00	13.00
Bus Drivers	12.25	20.50	19.00	19.75	13.25
Food Service Workers	5.58	5.58	6.39	10.28	9.48
Monitoring	5.00	6.00	5.00	5.00	4.00
Total FTE Reported[1]	**147.87**	**162.12**	**160.93**	**204.45**	**162.86**

Source: EMIS data, as submitted to ODE. Lake LSD EMIS data was tested by AOS staff and determined to be reliable.
[1] Columns may not sum due to rounding.

Table 3-2 illustrates an overall staffing level increase of about 15 FTEs over the five year period. However, staffing levels decreased from FY 2004-05 to FY 2005-06 by 41.59 FTEs with the most significant decreases occurring in the administrator, education, professional, clerical and bus driver classifications. According to the District, the reported staffing levels in FY 2004-05 were substantially higher due to ODE requirements to report all contracted staff during that year only. Since passage of the August 2006 levy, the District has reinstated some positions (see the **facilities** section).

Collective Bargaining Agreements

Provisions within Lake LSD's negotiated agreements were reviewed and assessed against ORC, OAC, or other best practice standards (see **R3.7**). Both the certificated and classified bargaining unit agreements will be renegotiated in 2007. See **Appendix 3-D** for contract comparison tables. The District has negotiated agreements with the following collective bargaining units:

- **Lake Education Association (LEA) (Effective September 1, 2005 - August 31, 2007):** The LEA represents all full- and regular part-time classroom teachers, guidance counselors, librarian/media specialists, non-salaried tutors, school nurses, department heads, athletic director, and permanent substitute teachers. The certificated bargaining unit agreement contains 18 provisions, of which the following exceed best practices or

State standards: maximum sick leave accrual, sick leave payout at retirement, employee health insurance premium contributions, and performance evaluation practices (see **R3.7** for additional discussion).

- **Ohio Association of Public School Employees (OAPSE) (Effective July 1, 2006 – June 30, 2007):** OAPSE governs full- and regular part-time classified employees including bus drivers, van drivers/bus aides, cafeteria staff (except those contracted through the food service management company), playground personnel, secretaries, custodial and maintenance staff, library clerks, study hall monitors, and the health records clerk. The classified bargaining unit agreement analysis included a review of 16 provisions of which the following exceeded best practices or State standards: number of paid holidays, maximum sick leave accrual, maximum sick leave payout at retirement, negotiated wage increase, employee health care premium contributions, and pre-scheduled overtime (see **R3.7**).

Salaries and Wages

Lake LSD salaries for all employees were below or comparable to the State and County averages, as were starting salaries for teachers. Although Lake LSD spent $155 more per student than the peer district average on extracurricular activities in 2005, the majority of supplemental spending was dedicated to student scholarships. Wages for substitute instructors was also noted to be in line with the County average.

Special, Gifted, and Vocational Education Program Deployment

Lake LSD uses the Wood County ESC for the identification, assessment, and servicing of students with disabilities. During the course of the audit, the Board granted approval to hire a special education coordinator. The District and ESC adhere to State requirements for the timely assessment and placement of special needs students. Assessment and placement procedures adhere to State requirements outlined in *Operating Standards for Ohio's Schools Serving Children with Disabilities* (ODE, 2002). The District encourages parental involvement in the individual education plan (IEP) process to help determine which services will best meet student needs. Additionally, a parent mentor is available through the ESC to assist parents through the special education process and serve as a mediator between parents and the District.

Lake LSD has one teacher who works in conjunction with Wood County ESC's gifted program coordinator to meet gifted (accelerated) student needs. The District has adapted, and adheres to, ODE's *Model Policies and Plan for the Identification of Children Who Are Gifted* (June 2000). The coordinator is also responsible for identifying program participants, training District staff, reporting test results to the State, and providing support services for the District's gifted program teacher.

Finally, Lake LSD employs three vocational teachers for three vocational education courses (career/business intervention, life planning, and family relationships). Additional vocational programs are provided through the Penta Vocational Center. District administrators and community members, through advisory committees, are afforded opportunities to provide feedback and input on the Penta Vocational Center's programming on a per course basis. In November 2006, a partnership was created with Owens Community College to offer courses to Lake LSD students on how to succeed in college, enhance literacy and learn hands-on transportation repair.

Recommendations

Staffing

R3.1 **Lake LSD should develop a staffing plan that takes into account anticipated enrollment, State staffing requirements, and certification needs. Further, the staffing plan should be tied to a District succession plan for key administrative and educational positions. In addition, the staffing plan should be incorporated into the overall District strategic plan. Staffing and succession planning will help foster a more efficient workforce and ensure smooth transitions as the student population and staff changes.**

Lake LSD does not have a formal District-wide staffing plan. Staffing for certificated personnel is governed by OAC § 3301-35-05 for regular education students and OAC § 3301-51-09 for special needs students.[3] Lake LSD has no established plan to determine whether District staffing meets, exceeds, or falls short of standards and District needs. As shown in **Table 3-2**; staffing levels have fluctuated significantly between FY 2001-02 and FY 2005-06. Further, the District does not have a succession plan to address replacement of key administrative positions. For example, the Information Technology Coordinator retired from the District in June 2006, but the District did not begin interviews for a replacement until August 2006. In the interim, the ESC provided technology support.

The Society for Human Resource Management (SHRM) (*Strategic Staffing Plans*, June 2002) notes that high performing organizations use plans and systems to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. In 2005, SHRM elaborated on the effect of strategic staffing plans on organizations in *Staffing Strategy Over the Business Cycle*. In detailing how organizations may react to changes in the business cycle, SHRM noted that reductions in staffing to meet declining labor needs often did not result in anticipated savings for 12 to 18 months. As a result, staffing plans, tied to strategic plans and organizational needs can help organizations better meet the constraints of their operating environments.

In the education sector, Tulsa Public Schools in Tulsa, Oklahoma has developed an extensive staffing plan which represents a best practice standard. The plan outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff based on student enrollment or student caseload for special education. Custodial and food service staffing allocations are based on workload measures. For example, the determination of custodial staffing levels is based on a

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[3] These OAC sections establish maximum student-to-teacher ratios for each of these student categories.

calculation using the number of teachers, students, rooms, and the total area of the buildings. Food service allocations are based on a minimum target meals per labor hour calculation established by the District. The staffing plan also outlines the procedure for developing staffing allocations for each area to achieve compliance with state mandates and alignment with the District's strategic plan. In Ohio school districts, Lakota LSD and Olentangy LSD also have staffing plans that follow the best practice model. Development of a baseline staffing plan followed by annual reviews will help ensure that personnel are allocated in an appropriate and cost effective manner.

A critical aspect of planning appropriate staffing includes succession planning to ensure that organizations optimize leadership and avoid costly hiring mistakes. *Managing Succession Planning* (Workforce Performance Solutions, October 2005) notes that effective succession planning results in a pool of talent armed with the skills, attributes and experiences to fill specific leadership positions, as well as the cultivation of a talent pipeline to meet emerging leadership needs. In the public sector, succession planning can ensure that the strategic goals of an organization are carried out effectively in the event of turnover in key positions. This assures that taxpayer funds are safeguarded and applied to actions and result in continued progress toward organizational goals.

Succession planning can incorporate a review of the feasibility of an early retirement incentive (ERI). In FY 2004-05, Lake performed such a review but did not document the the ERI's success. According to the Government Finance Officers Association (GFOA), entities can occasionally offer ERIs to employees as a strategy to reduce payroll costs or stimulate short-term turnover among staff. Historically, ERIs rarely have succeeded, since costs are often greater than initially anticipated by the government offering the incentive, and savings are lower than projected, as replacement teachers are no longer hired at bachelor's degree step zero. Additionally, most ERI programs in school districts are retirement supplements, not early retirement incentives, since programs begin only after an employee qualifies for retirement under the public employees' retirement system. However, annual assessments can allow the District to determine if they would improve the financial health of the District in any given year.

Because of its financial condition, Lake LSD did not formalize its staffing or succession practices into plans and instead, focused on personnel reductions and the elimination or consolidation of positions. Formalizing the staffing strategy would help Lake LSD bring human resource management practices in line with recommended practices, while helping it manage personnel costs and deployment in future years (see **R3.2**). Including staffing and succession plans in the strategic plan (see **financial systems**) would provide stakeholders with information on how District administrators will make human capital decisions to meet future academic and business goals.

R3.2 **Through attrition, the District should consider bringing staffing in line with the peers in several classifications. This will help with the achievement of long-term financial stability while attaining its academic and operational goals. Additionally, Lake LSD should have ODE conduct a staffing analysis on a biennial basis. A regular staffing analysis will help the District better monitor staffing levels in relation to similar school districts and thereby avoid unnecessary personnel costs.**

ODE conducted a staffing analysis of Lake LSD in July 2005 to compare staffing to comparable districts, the State average, and State minimums. The analysis showed the District exceeded the State minimum requirements for classroom teachers and ESP personnel, but was below the similar districts in these areas. In the *Other Personnel* category, the District was below the similar districts in every category except bus drivers and custodians. The District used the staffing analysis to show the community that it was actively making cost reductions through reductions in staffing.

An analysis of FY 2005-06 staffing levels showed that total staffing at Lake LSD is 108.10 FTEs per 1,000 students compared to the peer average of 109.41 FTEs per 1,000 students. Based on **Table 3-1**, the following classifications were higher than the peer district average by 1 FTE or more:

- Remedial specialist (1 FTE);
- Regular education teachers (4 FTEs);
- ESP teachers (1 FTE); and
- Bus drivers (2 positions - see **R5.5** in **transportation**).

In addition to these classifications, Lake LSD staffing levels are higher than the peer district average for custodial staff by about 1 FTE. However, rather than recommending a reduction in this category, AOS recommends reallocation of staff from custodial to maintenance since the District's maintenance staffing levels are below benchmarks (see **R4.3** in **facilities**). Lake LSD's November 2006 five-year forecast shows that the District is not forecasting any deficits. However, the Unreserved Fund Balance shows declines in the last two years of the forecast (see **financial systems**). As a result, analyzing staffing needs on a regular basis and aligning it to student enrollment will be required to ensure the District's long-term financial solvency. Using the ODE staffing analysis tool will help Lake LSD effectively manage its staffing levels and remain more consistent in its staffing approach.

Financial Implication: If Lake LSD were to reduce 1 FTE remedial specialist and 4 FTE regular education teachers, the District would save $71,000 and $160,000 in salaries and benefits costs per year, respectively. A reduction of 1.0 ESP FTE would save $67,000 per year. Implementation of this recommendation would result in a total annual savings in salaries and benefits of $298,000.

Compensation

R3.3   **Lake LSD should consider eliminating the full fringe benefit pick-up of employee retirement contributions for all non-bargaining administrative staff except the Superintendent and Treasurer. The Board should be aware that the fringe benefit pick-up can represent a significant hidden cost to the District.**

Lake LSD pays the employer share of State Teachers Retirement System (STRS) or School Employees Retirement System (SERS) contributions (based on classification) which amounts to 10.5 and 14.0 percent of annual salaries, respectively. Employees are required to contribute 10 percent through payroll withholdings. In addition to the employer requirement, districts often "pick up" the employee share as a fringe benefit (commonly referred to as pick up on the pick up) to help attract qualified administrative personnel. This fringe benefit pick-up inflates the annual income of the recipients by 10 percent (the employee share) since the payments are viewed by the United States Internal Revenue Service as income. Since the employer must make retirement payments on *all* income, the employer pays an additional 1 percent based on the income gained as a result of picking up the original employee share. This makes the total annual obligation to the employer 11 percent per benefit recipient.

Lake LSD has approved payment of the fringe benefit pick-up for seven administrators, including the Superintendent, Treasurer, and five principals at a cost to the District of $65,642 in FY 2004-05 and $50,510 in FY 2005-06. The decline in cost was due, in part, to the elimination of two administrative positions (one curriculum/grants coordinator and one elementary school principal) and hiring one new administrator (Treasurer) at a lower salary level. The fringe benefit pick-up adds approximately $7,300 to the average annual salary for administrators. Taking this benefit into consideration, Lake LSD salaries are higher than the State and County averages by 9.3 percent and 10.7 percent, respectively.

During the three-year period between FY 2004-05 and FY 2006-07, Lake LSD offered the benefit to an average of nine administrators. The total cost to the District for the fringe benefit pick-up averaged $63,686 per year. Statewide, districts typically "pick up" the employee share as a fringe benefit for the Superintendent and Treasurer. Lake LSD would have spent significantly less in retirement contributions (an estimated $138,000 over the FY 2004-05 to FY 2006-07 time period) had the benefit only been extended to these two executive level positions.

Financial Implication: During FY 2006-07, the District anticipates paying $74,025 for the fringe benefit pick-up for 10 administrators. By eliminating the fringe benefit pick-up for all administrative positions except the Superintendent and Treasurer starting in FY 2007-08, Lake LSD could save approximately $56,000 annually, assuming staffing levels remain constant throughout the forecast period.

Health Benefits

R3.4   Lake LSD should increase the use of cost-sharing initiatives to help manage the rising cost of health insurance. The District should seek renegotiation of contractual language to require a 10 percent contribution toward health insurance premiums for all employees and eliminate the dollar cap on amounts employees are required to contribute to monthly premiums. In the future, the District should consider negotiating employee contributions rates of up to 16 percent for all participants based on claims data, percentage cost increases to the District, and industry norms.

Further, the District should increase the employee premium contribution requirements to 20 percent for ancillary insurance plans that cover employee dental and vision expenses. Balancing the required percentage contribution for all health insurance plan participants would promote cost-sharing equity and allow Lake LSD to avoid some costs while maintaining contribution levels that are comparable to industry standards. Finally, the District should continue to educate employees on the full and growing magnitude of health care expenses and the value of their investment to reduce the tendency to underestimate the worth of their individual and family benefits.

Lake LSD offers partially paid major medical coverage to its full-time employees under a preferred provider organization (PPO) through the Wood County Health Consortium (consortium). In addition to major medical coverage, Lake LSD also offers a Section 125 Plan[4], a flexible spending account[5] which employees may use for payment of non-covered medical expense, and a cash incentive of $1,000 per fiscal year to employees who opt-out of coverage. Further, the District emphasizes individual health management through its wellness programs, blood pressure and cholesterol screenings, and employee education on healthcare matters.

The negotiated agreements stipulate a cost-sharing requirement of 10 percent for all full-time certificated employees enrolled in single or family coverage plans, and 7 percent for all classified participants. However, if the percentage exceeds the dollar cap, the District is constrained to an amount equal to the percentage requirement. Specifically, contributions towards monthly premiums are capped at $32 and $24, respectively, for certificated and classified employees enrolled in single plan coverage. Contributions are capped at $80 and $62, respectively, for family plan participants. This dollar cap on the employee cost-sharing requirement has prohibited the District from increasing contribution rates as insurance costs escalate. Dollar caps on contributions reduce *actual*

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[4] Employees pay for premiums on a pre-tax basis.
[5] Employees set aside a predetermined pre-tax amount to cover out-of-pocket medical expenses.

employee contributions to 9.5 and 6.4 percent respectively for certificated and classified single participants, and 8.9 and 6.5 percent respectively for family plan participants.

Table 3-3 compares FY 2005-06 monthly health insurance premiums and required employee contribution rates for Lake LSD to the Kaiser Foundation 2005 Annual Survey for national averages, the State Employment Relations Board (SERB) 2005 Annual Report and the Ohio Education Association (OEA) 2006 Annual Report.

Table 3-3: Comparison of Monthly Healthcare Premiums

	Average Monthly Premium for Single Plan	Full-time Employee Share	Average Monthly Premium for Family Plan	Full-time Employee Share
Lake LSD[1]	$373.16	Certificated: $32.00 (9.5%) Classified: $24.00 (6.4%)	$994.56	Certificated: $80.00 (8.9%) Classified: $65.00 (6.5%)
Kaiser				
All Plans	$354.00	$53.44 (16.0%)	$957.00	$248.82 (26.0%)
PPO Plans	$365.00	$58.40 (16.0%)	$980.00	$254.80 (26.0%)
SERB				
By Student Enrollment - 1,000-2,499 ADM	$386.76	$39.66 (10.4%)	$961.93	$112.98 (11.7%)
OEA				
Medical	Certificated:$392.20 Classified: $429.40	N/A	Certificated: $1,000.64 Classified: $1,106.27	N/A

Source: Lake Local School District, Kaiser Family Foundation *Employer Health Benefits 2005 Annual Report*, SERB *2005 14th Annual Report on the Cost of Health Insurance in Ohio's Public Sector*, OEA *Survey of School District Health and Life Insurance Plans*, 2006.
[1] If certificated employees were required to pay 10 percent, premiums for certificated staff would be $37.32 for single coverage and $99.46 for family coverage. If classified employees were required to pay the 7 percent, premiums for staff would be $26.12 for single coverage and $69.62 for family coverage.

Table 3-3 shows that Lake LSD's monthly premiums are comparable to Kaiser, SERB, and OEA (certificated) averages. However, Lake LSD has lower employee contribution rates.

Lake LSD also offers ancillary benefits to employees. Dental insurance is provided through the Northwest Ohio Educational Council Self-Insurance Pool. Vision coverage is provided through the Vision Service Plan and life insurance is through American United Life. **Table 3-4** compares the monthly premiums and employee premium contribution rates for ancillary benefits to SERB averages.

Table 3-4: Ancillary Benefits Premium Analysis

	Lake LSD – Monthly Premiums	Lake LSD -Employee Premium Contribution	SERB
Dental Plan Coverage	Single: $64.53 Family: $64.53	Single: $0.00 Family: $0.00	Single: $32.82 Family: $69.55
Vision Plan Coverage	Single: $12.73 Family: $28.82	Single: $0.00 Family: $5.00	Single: $4.30 Family: $8.66
Life Insurance Coverage (including annual benefit)	**Certificated staff:** $6.00 (annual benefit of $40,000) **Classified Staff:** $4.50 (annual benefit of $30,000)	**Certificated staff:** $0.00 **Classified Staff:** $0.00	$0.1892 per $1,000 of coverage per employee per month (average annual benefit of $32,661) [1]

Source: Lake Local School District, SERB 2005 Annual Report.
[1] The 2005 SERB report states that life insurance premium data was obtained from the 2004 report.

As **Table 3-4** illustrates, ancillary benefits represent significant additional costs to the District. Premiums for single dental coverage are higher than the SERB average by 49 percent, while family dental coverage is approximately 7 percent lower. Vision coverage premiums are considerably higher than SERB average for single and family coverage. Life insurance benefits exceed the SERB average. However, premiums are below the SERB average (see **Noteworthy Accomplishments** in the **Executive Summary**).

Finally, in response to an employee survey conducted by the Auditor of State (AOS), 32 percent either agreed or strongly agreed they were satisfied with procedures regarding health benefits. Some respondents indicated that employee premium contributions were, in part, the cause of dissatisfaction. This perception mirrors results reported by SHRM from a MetLife Employee Benefits Trends Study in which "only 31 percent of employees gave their companies' benefits communications program high marks and roughly the same (36 percent) gave high marks to their companies' benefits package" (S. Miller, March 2005). According to the article, this could be a signal to employers to increase the level of employee education regarding the bottom-line impact of rising health care insurance costs and promote greater understanding of the value of their investment. Stepping up efforts to keep employees informed of hurdles facing the District could help improve employee perceptions of the available insurance plans and benefit packages.

Financial Implication: Eliminating dollar caps on contributions and adopting an equitable 10 percent contribution rate for all participating employees would save the District approximately $22,000 annually. Increasing premium contribution requirements to 20 percent for dental and vision coverage would yield an annual cost savings of approximately $28,000. Implementation of this recommendation is subject to negotiation. If implemented for FY 2007-08, the District could realize annual savings of approximately $50,000.

R3.5 **Lake LSD should consider restructuring benefit levels within its health insurance plans. Specifically, the District should reassess benefit levels including co-payments, annual deductibles, and co-insurance based on market and industry standards. Further, the District should create an insurance committee charged with periodic reviews of insurance carriers, benefit levels, and related costs to the District.**

The medical insurance carrier and benefit plan designs are selected by the Superintendent, Treasurer and the insurance consortium. Changes are subject to collective bargaining. The current plan was changed in November 2005 to increase co-payments, coverage ratios, prescription co-payments, and spousal eligibility. Lake LSD does not have an insurance committee in place to review medical coverage.

Appendix 3-C contains a comparison of Lake LSD's health care plan benefits to the 2005 Kaiser Family Foundation Annual Survey results. The comparison indicates that benefit levels for Lake LSD participants are higher than the Kaiser Survey respondents in the following areas:

- Co-payment for physician visits;
- Prescription co-payments and co-insurance[6];
- Annual prescription drug deductible;
- Average annual deductible;
- Average cost sharing for hospital visits;
- Utilization management of provision; and
- Annual out of pocket maximum.

In each of these areas, moving toward the Kaiser average in terms of benefit design would put Lake LSD more on par with national benchmarks and likely result in a cost savings to the employer. Lake LSD should also consider cost saving strategies suggested by the Government Finance Officers Association (GFOA). First, GFOA recommends aggressive contract management, which includes conducting audits of claims to ensure that carriers or third-party administrators pay benefits according to plan rules, and increased coordination of benefits.

GFOA also recommends that employers create insurance committees to monitor benefits and determine what changes should be implemented. Involving employees in health care

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[6] Tiered co-payments encourage the use of less expensive generic prescriptions. In *Strong Medicine: Effective Strategies to Control Runaway Drug Costs* (Winkelman Management Consulting (WMC), 2006), the proper use of generics is the best single strategy to control prescription costs. For example, an average generic prescription claim is $18.00, but an average brand name claim is $125. Therefore, generic usage should be enforced through benefit plan design. WMC suggests that options to encourage generic use could include requiring the use of only generics unless expressly required by a doctor. WMC also indicates that cost sharing is an effective means of controlling prescription costs.

plan decisions benefits both the sponsor and the participants. For the health plan sponsor, this dialogue establishes and maintains credibility with the workforce, increases understanding of the plan, ensures plan changes occur smoothly, and sparks discussions among participants regarding the plan. For participants, this involvement encourages selecting a health plan that meets their needs and increases their satisfaction with the plan. Further, because the District has received grant funds for some health management programs, the insurance committee should take over this responsibility to locate additional funding.

Lake LSD has not engaged in substantial plan redesign as this aspect of health insurance cost management has only recently become a standard means of reducing premium increases. Similarly, plan redesign requires collective bargaining unit approval. An estimated saving could not be quantified, though, because of the various factors involved in premium pricing and the variety of options open to the District.

R3.6   Lake LSD should develop and implement a safety program to help prevent job-related injuries. The District should explore the availability of grant funding from the Ohio Bureau of Workers Compensation (BWC) to help offset costs associated with program implementation. Further, Lake LSD should consider implementing one or more BWC discount programs. By improving safety and preventing accidents, the District can better protect its workforce while reducing workers' compensation costs.

Lake LSD does not have a personnel safety program in place. During FY 2006-07, District administrators identified a safety plan as an item that needed to be developed and implemented. The District complies with training mandated by the Occupational Safety and Health Administration (OSHA), which includes blood-borne pathogen training and vaccination training. Lake LSD has taken advantage of some available discounts to limit the impact of BWC premiums. For example, in 2006 the District participated in a group rating to receive a discount. **Table 3-5** illustrates Lake LSD's Workers Compensation history for the past three years.

Table 3-5: Workers Compensation History

Year	Experience Modifier [1]	Number of Claims	Premium
2004	80.0	2	$26,748
2005	80.0	0	$26,177
2006	78.0	N/A	$37,304
Average	**79.3**	**1**	**$30,067**

Source: Lake Local School District treasurer's office.

[1] An experience modifier less than 100 indicates that the employer had fewer losses than were anticipated and will receive a credit against the base rate of the BWC premium. An EM greater than 100 indicates that the employer had more losses than expected and a penalty will be applied to the base rate of the BWC premium.

Table 3-5 shows that Lake LSD has a strong BWC record; an experience modifier below 100 and two claims from 2004 to 2006. However, the District's premium increased 42.5 percent between 2005 and 2006; from $26,177 to $37,304 because the State discontinued rebates to employers. The anticipated increase in Lake LSD's 2007 rating, as a result of a claim, will remove the District from its rating group for 2007. However, since the District is not penalty rated, it is not eligible for most programs available through the BWC to reduce or control premium costs.

One program that Lake LSD is eligible for is BWC's Drug-Free Workplace Program (DFWP). BWC offers a premium discount to eligible employers who implement a program addressing workplace use and misuse of alcohol and other drugs, including prescription, over-the-counter, and illegal drug abuse. Safety grants are also available for employers participating in the DFWP to help offset costs. In addition, BWC offers assistance in developing a transitional work program. A transitional work program uses real job duties to accommodate injured workers' medical restrictions for a specified time period – generally not exceeding two to three months – to gradually return them to their original job. It includes company analyses and job analyses of the employees' job tasks, labor-management collaboration, program-policy development, and program evaluation for effectiveness. The program may include on-site therapy tailored to the injured worker.

Because the District has not experienced claims-related premium increases, it has not invested in some of the BWC workplace safety programs. However, with the increased premium costs likely to result from the District's 2007 experience, the addition of these programs would potentially yield a cost savings in future premiums.

Financial Implication:. Implementation of the DFWP program would yield a savings of $3,700 in annual premiums. The transitional work program would involve a one-time development cost of approximately $4,000. Therefore, the net impact to the District during the first year of implementation would be a cost of $300.

Negotiated Agreements/Contractual Issues

R3.7 **Lake LSD should seek renegotiation of collective bargaining unit provisions for certificated and classified employees that exceed those in force in similar districts and across the State and impose additional financial burdens on the District. Board ratification of collective bargaining agreements should be based on careful consideration of fiscal issues. Particular attention should be paid to provisions that involve added or hidden costs to the District and that are not required by statute.**

As a component of the performance audit, Lake LSD's collective bargaining agreements were examined and compared to State requirements and common practices. **Appendix 3-D** shows the following clauses deviate from State requirements or recommended practices for certificated staff:

- **Professional development days:** Agreements contain no pre-established limit on the number of days employees at Lake LSD can use for professional development.

  District records show that certificated employees take an average of only 1.8 days per year for professional development.

- **Class size:** The Certificated agreement establishes student-teacher ratios of 23:1 for kindergarten through grade 3 and 25:1 in grades 4 through 12. Should a class exceed that ratio there are four options than can be considered by District personnel, three of which involve hiring additional staff.

  Collective Bargaining: Bringing Education to the Table (Mackinac Policy Center, 1998) states the District should be able to make decisions freely pertaining to resources, including determining class size. Lake LSD should consider renegotiating this clause.

Appendix 3-D also illustrates that several provisions in the classified bargaining unit agreement exceed recommended practices or State requirements.

- **Number of holidays:** Eleven/twelve month employees have four more holidays than State minimums; nine/ten month employees have one more day.

  Lake LSD should reduce the number of holidays to be in line with State minimums. Reducing the number of paid holidays would lead to an increase in productivity equal to $20,900 (based on the total daily cost of classified personnel), or an increase equivalent to 32 hours per year for all classified staff.

- **Overtime:** The classified contract allows for pre-scheduled Saturday overtime which amounted to 208 hours in FY 2005-06, at a cost to the District of $5,500 (based on an average hourly rate of $26.15). Overtime is paid at a rate of time and a half.

  Total overtime for custodial and maintenance employees amounted to 806 hours or $19,076 during FY 2005-06 (or 4.1 percent of total hours and 6.1 percent of total costs for the maintenance department). According to *Best Practices: Maximizing Maintenance* (Maintenance Solutions, 2003), overtime should account for less than 2 percent of total maintenance department time. Furthermore, none of the peer district contracts reviewed had similar provisions that allow guaranteed overtime through

pre-scheduling. For Lake LSD, achieving this standard would involve reducing overtime by approximately half the FY 2005-06 level (i.e. cutting hours used from 4.1 to 2.1 percent and costs from 6.1 to 3.1 percent). By reducing overtime to the benchmark standard of 2 percent of total time (for Lake LSD this would mean a reduction of 400 overtime hours per year), the District could save up to $9,700 annually. (See the **facilities section**)

- **Cafeteria:** Article 27 of the classified bargaining unit agreement provides details regarding the management of food service personnel. This Article is out of date as management of cafeteria employees is now performed by a food service management company (FSMC). Further, the food service manager is an FSMC employee and not covered by the negotiated agreement.

Further, there are clauses in both certificated and classified contracts that should be examined by Lake LSD and considered for renegotiation.

- **Maximum sick leave accrual and days paid out at retirement:** Certificated employees in Lake LSD can accumulate up to 290 days of sick leave, while classified employees can accrue up to 270 days. ORC requires only 120 days, though local boards of education can allow more sick leave accrual. Also, certificated employees in Lake LSD can receive 25.0 percent of accumulated sick leave, to a maximum of 72.5 days. Classified employees can be paid for up to 67.5 days of accrued, but unused sick leave upon retirement. However, State guidelines require that districts be responsible for paying only 30 days of accrued, unused sick leave upon an employee's retirement.

  The District should consider renegotiating maximum sick leave accrual and payment of sick leave at retirement to be more in line with ORC requirements.

- **Health care contributions:** see **R3.4** for further discussion.

- **Negotiated Wage Increase:** At the time of the audit, Lake LSD employees had not received a negotiated wage increase since FY 2003-04. In August 2006, Lake LSD passed a 6.75-mil levy. However, a return to increased program levels and staff will use some of the monies made available through the levy. In order to maintain fiscal stability, wage increases should be carefully considered and their effects projected into future years. See also **R2.6** in **financial systems** for a discussion of assumptions and what-if scenarios related to wage increases.

- **Evaluations:** Reductions in staffing have led to additional responsibilities for District administrators. See **R3.12** for further discussion.

Lake LSD has worked with bargaining unit representatives to negotiate a contract that helps limit the District's financial obligations under the negotiated agreement. However, some contract language creates additional financial burdens for the District. Limited training related to contract negotiations may have led to some costly language remaining in the negotiated contracts (see **R3.8**). By renegotiating some contractual provisions, Lake LSD can potentially improve cost effectiveness and help ensure that none represent an undue future financial burden to the District.

Financial Implication: If Lake LSD reduced overtime hours within the custodial and maintenance department to the benchmark standard of 2 percent of total department hours, the resulting annual savings would be approximately $9,700.

R3.8 **Lake LSD should maintain and update records of its collective bargaining processes in accordance with best practices. Specifically, the District should designate a team of individuals to be involved in the negotiating process and should clearly define their roles and responsibilities. Members of the negotiating team should participate in annual training to enhance their knowledge of the negotiation process and legislative mandates.**

Procedures for collective bargaining are outlined in the negotiated agreements. However, the District does not maintain records of its negotiating process. It uses historical, but undocumented, practices and procedures throughout the negotiation process and the make up of the negotiating team has not been consistent. Generally, the negotiating team comprises the Superintendent, Treasurer, two Board members, and the District's legal counsel. Legal counsel provides advice and guidance on collective bargaining issues.

Best Practices and Indicators for School Personnel Systems and Benefits (OPPAGA, 2002) encourages ongoing training in collective bargaining for all individuals directly involved in negotiations. Specifically, a district should designate a staff member or members to be responsible for labor relations and contract negotiations. Such staff should participate in annual training to enhance their knowledge of the negotiation process and legislative mandates. It should clearly define the roles and responsibilities of the person(s) participating in negotiations, including the superintendent and school board. Finally, it should ensure that its appointed negotiators have access to an attorney trained in collective bargaining law and procedure. Records of the negotiating process should be maintained, updated, and retained for five years or other prescribed time.

The Ohio Association of School Business Officials (OASBO) and the SERB Research and Training Section both offer training in the negotiations process. SERB also recommends that if the District continues to have financial concerns when the bargaining agreements are about to expire, it may want to consider renegotiating one year at a time to better assess its ability to pay for contractual provisions.

Prior to negotiations, school districts should identify potential issues of concern that could be raised during the collective bargaining process and determine the potential costs related to those issues. In addition, school districts should determine estimated costs for all union proposals prior to continuing negotiations. Through these measures Lake LSD will be able to better represent District interests in future collective bargaining sessions. Implementation of this recommendation can be achieved at no additional cost to the District.

R3.9 **Lake LSD should ensure an eight-hour workday is performed by classified personnel in accordance with the classified bargaining unit agreement and cease payment for employee lunch periods. Failure to enforce this provision on the length of workday represents a significant amount of time paid by the District for which no work is provided. Future bargaining unit agreements should clarify provisions regarding the length of workday and should specify the length of unpaid lunch periods.**

The classified bargaining unit agreement defines a standard work week as 40 hours, Monday through Friday and a standard work day as 8 hours. Interviews with Lake LSD employees and a review of District payroll records show that 28 classified staff members are paid based on an 8-hour day. However, the 8-hour employees take a paid lunch break during their workday and are therefore working 35.5 hours per week or 7.5 hours per day. The classified negotiated agreement does not include a clause covering lunch breaks or specifying that they are to be paid by the District.

State law does not require employers to pay employees for meal breaks. Enforcing the workday as defined by the collective bargaining unit agreement and clarifying this provision in future contracts would help ensure the consistent application of guidelines to all relevant employee groups. The District would gain 30 minutes per day, or 2.5 hours per week, per worker in productivity, at no additional cost. Annually, this amounts to 3,105 hours of lost time at a cost of about $41,000 that the District could potentially recoup.

R3.10 **Lake LSD should bolster the written sick leave policy in its negotiated agreements and develop a more comprehensive policy that is commensurate with state standards. In addition, by conducting regular reviews of sick leave usage reports, the District could identify patterns of abuse and avoid potential loss in terms of worker productivity.**

Sick leave policies are outlined in the certificated and classified negotiated agreements. The policies address sick leave accrual, reasons for sick leave use, and disciplinary actions for falsification of sick leave. However, the contracts are silent on patterns of abuse (i.e. definitions of sick leave abuse and consequences for failure to comply with

stated policies). Further, Lake LSD does not require validation of absence by a physician even if an employee uses a number of sick days in a row.

The State of Ohio collective bargaining agreements with State Council of Professional Educators (SCOPE) and Ohio Civil Service Employees Association (OCSEA), Local 11 contain provisions for disciplining employees for sick leave abuse and pattern abuse, defined as consistent periods of sick leave use. The 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.

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 OCSEA agreement reserves the employer's right to request that a physician's statement be submitted within a reasonable period of time.

Failure to adopt comprehensive sick leave policies could leave the District vulnerable to sick leave abuse leading to increased overtime, missed deadlines, poor morale, and decreased productivity.

Human Resource Management

R3.11 Lake LSD should conduct an annual employee climate survey designed to measure employee satisfaction on factors such as work environment, quality of supervision, safety, district-wide support, and opportunities for professional development. In addition, the District should, as a matter of course, track employee turnover for all classifications and conduct exit interviews of employees that voluntarily leave the District.

Lake LSD does not formally monitor employee satisfaction by conducting climate surveys and exit interviews. However, according to the previous Superintendent, the most common employee turnover reasons included improved salary opportunities, retirement, and the desire to work in an environment with more voter/constituent support.

AOS administered an employee survey to obtain feedback and perceptions concerning human resource services (see **Appendix 3-A)**. The following highlights key points from the survey related to human resource management:

- **Overall Satisfaction with Human Resources:** Forty percent of respondents agree or strongly agree with the overall effectiveness of the District's human resources management policies and procedures.

- **Employee Satisfaction:** Fifty six percent of respondents feel that employee satisfaction and morale are positive, with 35 percent disagreeing. Respondent comments note lack of pay increases and recent employee health care concessions as reasons for dissatisfaction.

- **Goals:** Forty one percent of respondents believe that the Board of Education monitors its performance and achievement of its goals. In contrast, 20 percent disagreed with this statement. Forty percent stated that they were aware of the Board's goals, while 32 percent were not aware of the goals. Respondent comments indicate the Board has not evaluated itself in many years and does not appear to have a good understanding of events in the District.

- **Certificate and License Monitoring:** Twenty nine percent of respondents stated that they were aware of a few lapses in certificate licenses due to lack of management oversight. However, 34 percent of respondents were not aware of any lapses. Thirty seven percent had no opinion or were neutral on this topic.

The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) recommends that districts conduct climate surveys that measure employee satisfaction on factors such as work environment, quality of supervision, safety, district-wide support, and opportunities for professional development. OPPAGA also recommends that districts conduct exit interviews of all employees leaving the district. Results of the climate surveys and exit interviews should be compiled and reviewed by the district to identify key issues. Additionally, OPPAGA recommends that districts maintain historical data on turnover rates for major classes of employees and monitor this data to identify unusual variations in the turnover rate.

Capturing Turnover Costs (Society for Human Resource Management, 2000) references a Manchester Consulting study that found turnover costs range from $1,000 to $10,000 per employee. Turnover causes lost productivity and can contribute to low employee morale. Managers must also take additional time to out-process employees, reorganize existing work, source their replacement, interview candidates, prepare offers, and orient new employees to the position and organizational culture. Because Lake LSD does not conduct climate surveys or exit interviews, it is unable to capture, analyze, and address

negative employee sentiment or reasons for employee turnover. Further, it may take longer to identify and rectify any issues within the workplace. A district should be able to demonstrate through exit interview results that it has created a working environment for its employees that enhances worker satisfaction, and minimizes employee turnover.

R3.12 Lake LSD should evaluate and/or monitor its certificated personnel by some means on at least an annual basis to be more consistent with recommended best practices. Conducting timely evaluations will ensure compliance with state requirements and allow the District to assess the success of its current workforce in achieving individual expectations and District goals.

Traditionally, Lake LSD principals have completed timely evaluations of certificated staff. The District conducts reviews of first-year teachers through the Entry Year Teacher's Program. However, according to the previous Superintendent, reductions in administrative personnel have led to principals taking on additional responsibilities making it more difficult to complete evaluations in a timely manner. Evaluations are not addressed in the negotiated agreement for certificated staff.

The classified negotiated agreement states that employees will undergo a minimum of one evaluation annually, to be completed by May 1 (OAC § 3301-35-05). Each evaluation is to be completed by either an immediate supervisor or building administrator. The evaluation forms, while used in conjunction with the relevant job description, do not include evaluation criteria or performance measures.

In response to an employee survey conducted by AOS (see **Appendix 3-A**), 78 percent of respondents say that they are evaluated annually (12 percent disagree) and 64 percent say that they are provided timely and relevant feedback (10 percent disagree). Further, 65 percent stated that evaluations are done in accordance with collective bargaining contracts, while 4 percent disagree. 55 percent state that management responds and acts on recommendations made in evaluation sessions; 10 percent believe that management does not. Written responses indicate that some employees are not evaluated for activities like extracurricular positions.

According to SHRM employees should receive performance evaluations at least once a year. The evaluation process should be structured in such a way that employees are clearly informed when their performance does not meet expectations. The following should be included in the evaluation process:

- Establish and implement formal procedures for assessing employee performance;
- Provide clear information regarding the performance assessment process;

- Develop performance criteria, including measures and standards, related to performance outcomes;
- Provide employees with a written copy of employee disciplinary procedures; and
- Include input from peers, subordinates, and other relevant parties.

Employee evaluations are an effective communications tool to let employees know how they are performing in relation to their job responsibilities. Evaluations help an employee know what job duties are being done well and what job duties require improvement. They also provide a means for communicating expectations. If evaluations are not done, employees will not know what is expected and how they are performing. (See **R4.8** in the **facilities** section for a further discussion of performance standards and measures.)

R3.13 Lake LSD should develop a formal employee training program that includes elements of best practices, including a training budget based on 3 percent of department payroll expenditures, a means for tracking training received per employee, cross-training opportunities, and job specific training requirements. The training program should be supported by formal District policies and an identified funding stream. Even if financial conditions cannot support a training budget that is in line with industry standards, the District should, at a minimum, ensure that all employees receive access to critical training to enhance job performance. In addition, the District should provide opportunities for Board members to attend training or receive training in-house on important governance issues to help promote growth and development of governing skills and leadership abilities.

Training for certificated staff is managed through the District's local professional development committee (LPDC). The LPDC is responsible for ensuring all teachers have current and appropriate certification and receive required continuing education credits (CEUs). However, classified and administrative staff members are not always provided formal or informal training or professional development opportunities. Lake LSD recently instituted a professional development program that includes a technology training component and is offered on in-service days (see **R6.14** in the **technology** section for further discussion).

The effects of incomplete or inadequate training were noted in several instances within the District (see **facilities**). In one instance, the employee responsible for entering EMIS data into the system had not received training, to which errors in categorizing EMIS information could be attributed. In another instance, Board members were not provided formal orientation training and had not received training provided through the Ohio School Boards Association (OSBA) (this training was scheduled but later canceled). Interviews with BOE members indicated interest in rescheduling and participating in this

training as a group. Finally, collective bargaining training had not been provided to members of the District negotiating team (see **R3.8**).

Employee survey responses (see **Appendix 3-A)** indicate only 44 percent of employees believe that staff training in their department is effective. Most employees (58 percent) disagreed or were neutral when asked if they had participated in cross-training to allow the District to continue to function should an employee be absent for an extended period or separate from the District.[7]

According to Municipal Benchmarks (Ammons, 2001), employers should set aside approximately 3 percent of total payroll for a training budget. Based on FY 2005-06 payroll figures, this would amount to approximately $212,000. Although the District cannot presently afford to set aside the recommended amount, it should work toward this as a goal.

In addition, OPPAGA recommends that training for non-instructional employees include new and veteran employees, helping new employees learn the basic skills necessary to do the job, and providing veteran employees opportunities to improve and expand their skills. Further, individual departments should be aware of their training responsibilities and have access to budgeted funds in order to meet those responsibilities. The District should have policies and procedures to guide the use of District funds for training activities such as conference attendance, consultant trainers, or the purchase of video or other training materials.

Board members should continue to build and develop collective skill sets by periodically attending training seminars to remain apprized of changes in State requirements and school-related topics. OSBA offers specialized board member seminars, custom workshops, and its Board Leadership Institute. Online training offered by OSBA is free of charge. Lake LSD could also access training through local universities or ODE.
Although financial constraints and a focus on certificated personnel have limited District personnel from participating in training opportunities, additional emphasis on employee training will help ensure the District is functioning as efficiently and effectively as possible.

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[7] The AOS staff survey responses were not collected in a manner that allows tracking of certificated and classified staff separately. As a result, it cannot be determined if employee opinion towards training opportunities differs between classifications.

Board Administration

R3.14 The Lake LSD Board should implement a Policy Development Committee to periodically review District policies, particularly concerning the roles of the Board, Superintendent, and Treasurer, to ensure they are appropriate, up to date, and relevant to the District. Lake LSD should maintain records of policy reviews through its Board meeting minutes.

Responses to the AOS survey indicate that one quarter of District staff are unaware of the BOE's achievement goals (see **Appendix 3-A**). These results can be interpreted as an indicator of a communication gap between the Board and District staff. Lake LSD has adopted recommended OASBO board policies, including those pertaining to Board responsibilities. (However, the District was unable to provide Board meeting minutes verifying the review and re-adoption of the policies.) Under the prior Board and administration, Board members allowed staff members to contact them directly without including District administrators, contrary to Board policy. During the same period, Board members took a more active role in the day-to-day management of the District because of concerns related to District decision-making, a departure from Board policies as well.

OPPAGA recommends that the roles and responsibilities of the board and superintendent be clearly delineated, and that board members and the superintendent have policies to ensure that they have effective working relationships. Further, *Key Legal Issues for Schools* (OSBA, 2006) discusses various steps that districts should follow to ensure effective policies:

- A Policy Development Committee should be formed to review and revise their current policy documents and procedures.

- The Board should conduct reviews annually to determine whether modifications should be made on the basis of implementation experiences.

- The drafts of new and revised policy statements should be reviewed by the school board's attorney for final review and editing.
- The board and superintendent should encourage consultation with interested groups and individuals in the policy-making process where appropriate.

- Once school boards formally adopt policies, they should inform employees by distributing the policy to all staff members and posting it in conspicuous areas in the schools, as well as on the district's website.

Becoming a Better Board Member (National School Board's Association (NSBA), Second Edition, 1996) recommends that boards delegate much of the specifics of communication programs to key administrators. The superintendent, as the board's agent for transforming policy into action, plays a pivotal role in the communications process. Consequently, the board should ensure that communication between itself and the superintendent is effective, and that the superintendent emphasizes systematic, two-way communication. Conversely, administrators and other district staff represent a large part of the internal communication structure and are critical in creating team spirit. Making full use of the internal networks also assists the board in operating from a fully informed, proactive position on district issues and decisions.

Periodic review of policies helps ensure Board members are familiar with district policies and that policies are reflective of District practices. Likewise, using recommended guidelines in policy development and implementation, particularly in the area of Board/administration relationships, will help improve the overall relationship between the Board and administrators and ensure that District leaders present a consistent message to District employees, students, and residents.

R3.15 The Board should develop and implement an orientation program for new members. This will help ensure new Board members receive training in areas such as planning, school finance, facilities, staffing, curriculum, administration, and stakeholder relationships.

The Board does not have an orientation program for its members. NSBA offers a model orientation package that includes documentation covering school/community relationships, general responsibilities, school finance, curriculum and instruction, administration and staff, and school district facilities. In addition, the Michigan Association of School Boards offers the following recommendations for planning new member orientation:

- Develop a written orientation plan for the new board members;
- Organize a reception for the new board member;
- Ensure there are no interruptions during the formal orientation;
- Allow adequate time for the orientation; and
- Involve staff in the orientation.

Board training incorporating these topics can be offered internally (see **R3.14**). However, if the District's financial condition improves, the Board may want to offer new members a formalized orientation program conducted on site by OSBA. This training can be tailored to a school board's interests. A three-hour basic workshop costs $700 plus expenses. The training covers the basic role and responsibility of a board member, the

board's role in relation to the administration's role, how to handle complaints, planning, vision, and evaluations.

Financial Implication: The cost to offer an OSBA basic workshop to new Board members is $700 plus expenses. Expenses could not be estimated at this time but are not considered significant.

Academic Programming/Oversight

R3.16 **Lake LSD should establish a process to obtain, analyze, and use parental feedback to improve the administration of its special education program. Collecting annual feedback would provide a consistent way to gauge parental satisfaction and provide a way to identify and improve program performance. In addition, soliciting parental feedback can increase their involvement and investment in the District's special education programs.**

Lake LSD and the Wood County ESC do not use parent feedback as a component measure covering special education program performance. The ESC sometimes receives negative parental feedback (i.e. parents will contact the ESC individually) and addresses it as needed. The ESC special education preschool staff collects parent feedback concerning the special education program through an end-of-the-year survey, but there is no mechanism in place to collect parent feedback for elementary, middle and high school special education students. Parents have access to an ESC mentor and are provided a copy of *Whose IDEA is This? A Resource Guide for Parents* (ODE, 2005) as a resource for any general inquiries.

OPPAGA recommends that districts maintain a focus on parent involvement for special education children, including periodic training and soliciting of feedback on parental satisfaction. One means of soliciting such feedback would be through a parent survey, such as the one produced by the Wisconsin Department of Public Instruction and the Wood County ESC preschool. This survey asks parents to rate their satisfaction with various aspects of the individual education plan (IEP) process, and allows them to write additional comments.

By relying on parents to contact the District or ESC with any concerns or questions, the District can only react to the feedback provided. Actively seeking input is more proactive and provides a formal approach to improve overall special education program performance. This would allow Lake LSD to use information and recommendations provided by the parents of program participants to enhance its special education program.

R3.17 Lake LSD should review its contract with the Wood County ESC to determine if the ESC is adequately meeting its needs. Particular attention should be given to special education services provided and the staffing that supports these services, especially as it relates to meeting the adequate yearly progress (AYP) goals for students with disabilities. The District should establish accountability goals and objectives, as well as outcome measures, to decide whether it is receiving its contract value from the ESC.

If Lake LSD does not have internal staff to manage special education programs, it should solicit requests for proposals (RFPs) for special education services from the Wood County and neighboring ESCs[8]. If an RFP process is initiated, it should be performance-based including a set of performance measures establishing quality, timeliness and outcomes to be achieved, as well as a description of how the service provider's performance will be evaluated.

In FY 2005-06, purchased services expenditures from the General Fund made up the largest percentage (19.0) of District expenditures after personnel services and benefits (see the **financial systems** section). ESC expenditures made up 27.1 percent of purchased service expenditures. The District has outsourced some of its operations to the ESC in recent years to help control costs. However, District administrators indicated ESC initiatives may not meet District expectations.

Prior to the recent Board approval to hire a special education coordinator, staffing for District special education programs was provided through the Wood County ESC with minimal oversight by the District. According to ESC staff, Lake LSD and the ESC adhere to ODE procedures to ensure compliance with OAC § 3301-51-09 related to staffing minimums for special education students. The ESC provides 10 FTE tutor/small group instructors to serve as intervention specialists. Lake LSD employs 1 FTE tutor/small group instructor. The District's Special Education Coordinator is also an ESC employee. According to the coordinator, tutor/small group instructors are responsible for low incidence students (students who have a disability that affects relatively few of the total number of students with disabilities). Students that are severely disabled attend classes outside the District and are not included in the student-to-teacher ratios.

In FY 2005-06, only 30.3 percent of Lake LSD students with disabilities who were tested, met AYP for reading.[9] The federal goal, by comparison, is 63.5 percent in reading and 51.5 percent in mathematics for FY 2005-06. In FY 2004-05, AYP in mathematics at Lake LSD was also below the federal goal (42.6 percent versus 51.5 percent).

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[8] ESCs situated close to Lake LSD include Lucas and Ottawa counties.

[9] The number of students tested in mathematics in FY 2005-06 was below the threshold for reporting test results.

OPPAGA states that effective management and accountability can be promoted through clearly stated goals and objectives, a stated purpose that is consistent with the district's strategic plan, and a system for routine measurement of progress toward goal achievement.

As the District reviews its staffing needs for each school year (see **R3.1**), it should determine the staffing requirements for special education programs. If a decision is made to continue to use outside resources, the District should seek RFPs per Board Policy DJ which outlines the District purchasing process. Criteria, such as a monitoring system and the goals of the program, should be included in the initial RFP solicitation so prospective service providers know what the District expects. (See **R6.2** in the **food service** section for a discussion on effective contract management and performance-based contracts.)

Reviewing the special education programs offered by the ESC will help the District determine what resources may be needed to meet AYP goals for students with disabilities. If the District decides not to provide program staffing internally, then seeking performance-based proposals from other ESCs will allow the District to select an ESC that will provide cost effective programs that meet expected outcomes.

R3.18 **Lake LSD should designate a specific District authority to oversee at-risk programs. The responsible party should ensure appropriate identification of students eligible for Title I, and other programs geared to at-risk students, and should work with other at-risk programming personnel to develop a comprehensive plan for each aspect of at-risk programming. This plan should, at a minimum, outline how eligible students are identified, determine which services are appropriate, and monitor student progress.**

Lake LSD does not have an administrator responsible for at-risk program oversight. The District does not have an alternative high school program or an ESOL program; primary at-risk programs are Title I and drop-out prevention. There is no formal written plan for the identification or servicing of Title students.

Oversight of the Title I program was performed by the curriculum director, whose position was eliminated in July 2005. At the time of this performance audit, Title I program administration was split between the District's two elementary school principals and services were provide through three Title I teachers. Students are identified through testing in the first and second grades and are provided additional assistance in mathematics or reading. The parents of eligible students are notified and are provided information about the Title I programs. Teachers also meet with parents of participating students at least twice a year. Student progress is gauged by comparing initial and subsequent test scores and with periodic progress reports.

The Wood County ESC administers a workforce program that identifies students at risk of not graduating. The program allows students to gain work experience in the community while earning credit towards graduation. Since the program is grant funded, it is assessed regularly by Wood County ESC staff. Additional at-risk programs provided by the Wood County ESC include alcohol, tobacco, and other substance abuse prevention services, and reading intervention assistance.

OPPAGA recommends that district procedures for identifying students eligible for at-risk programs be consistent with applicable state and federal laws (Title I, ESOL, alternative education). The district's plan for developing and implementing programs for at-risk students should also incorporate the following:

- Be supported by an analysis of student needs;
- Ensure that teachers of at-risk students provide instruction designed to meet identified needs and periodically assess student progress;
- Provide for timely identification, placement, and removal of students from at-risk programs using appropriate indicators;
- Provide teachers of at-risk students with adequate support and training;
- Ensure that teachers of at-risk students assist regular classroom teachers to develop and/or implement strategies for helping at-risk students become more successful academically and socially;
- Maintain a focus on parental involvement for at-risk students, including periodic conferences, parent training and formal solicitation of satisfaction feedback;
- Compel district administrators to evaluate the success of at-risk instruction and programs using student achievement and other appropriate performance measures and benchmarks; and,
- Lead students enrolled in at-risk programs to perform well on relevant academic and non-academic assessments.

OAC § 3301-35-04 outlines how school districts are to ensure that student and other stakeholder needs are understood and addressed. This includes establishing and communicating expectations for academic performance, attendance and conduct; assessing student needs to make decisions regarding curriculum, instruction, assessment, and goals; monitoring performance; and continually improving programs and policies.

Not meeting identification and program mandates could lead the District to be in violation of state requirements; A single administrator would help to ensure that all students are being identified and all program mandates are being met. Since the District is ultimately responsible for ensuring the educational needs of students are met, it is incumbent upon Lake LSD administrators to become more directly involved in program administration.

Financial Implications Summary

The following tables are summaries of estimated annual cost savings and one-time 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
R3.2 Reduce regular education teachers through attrition (4.0 FET), ESPs (1.0 FTE), remedial specialist (1.0 FTE)	$298,000
R3.3 Limit fringe benefit pick up for FY 2007-08	$56,000
R3.4 Raise contribution rates for dental and vision coverages to 20 %	$28,000
R3.4 Eliminate dollar caps for certificated and classified employees on health care contribution rates, and increase contribution rate to 10 %	$22,000
R3.6 Obtain BWC discount for implementation of DFWP program	$3,700
R3.7 Reduce custodial and maintenance department overtime.	$9,680
Total	**$407,700**

Source: AOS Recommendations

Recommendations Not Subject to Negotiation

Recommendation	Implementation Cost (One Time)
R3.6 Develop a transitional work program	$4,000
R3.15 OSBA Board Training	$700
Total	**$4,700**

Source: AOS Recommendations

Appendix 3-A: Employee Survey Responses

AOS administered a survey at Lake LSD to obtain employee feedback and perceptions concerning human resource issues. The survey was completed by 113 employees, 106 (94 percent) of whom completed the human resource section of the survey. The overall participation rate for the AOS survey was approximately 60 percent. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly Disagree. **Table 3-A1** illustrates the results.

Table 3A-1: AOS Human Resource Survey Results

Survey Questions	Lake LSD Results
1) I am aware of the duties required in my job description.	
1) Strongly Disagree	5%
2) Disagree	1%
3) Neutral/Not Sure	2%
4) Agree	32%
5) Strongly Agree	**59%**
2) My job description accurately reflects my actual daily routine.	
1) Strongly Disagree	5%
2) Disagree	6%
3) Neutral/Not Sure	9%
4) Agree	34%
5) Strongly Agree	**43%**
3) Our department could effectively maintain productivity in the event of a short-term absence.	
1) Strongly Disagree	
2) Disagree	6%
3) Neutral/Not Sure	5%
4) Agree	8%
5) Strongly Agree	**41%** 37%
4) The Board of Education monitors its performance and achievement of its goals.	
1) Strongly Disagree	7%
2) Disagree	13%
3) Neutral/Not Sure	25%
4) Agree	**28%**
5) Strongly Agree	13%
5) I am aware of the Board of Education's achievement goals.	
1) Strongly Disagree	9%
2) Disagree	23%
3) Neutral/Not Sure	23%
4) Agree	**25%**
5) Strongly Agree	15%
6) Cross training has been implemented in my department.	
1) Strongly Disagree	4%
2) Disagree	25%
3) Neutral/Not Sure	**29%**
4) Agree	9%
5) Strongly Agree	9%

Survey Questions	Lake LSD Results
7) Staff training is effective in my department.	
1) Strongly Disagree	7%
2) Disagree	13%
3) Neutral/Not Sure	25%
4) Agree	**29%**
5) Strongly Agree	15%
8) I am evaluated annually.	
1) Strongly Disagree	7%
2) Disagree	5%
3) Neutral/Not Sure	4%
4) Agree	31%
5) Strongly Agree.	**47%**
9) The evaluation process provides timely and relevant feedback.	
1) Strongly Disagree	4%
2) Disagree	6%
3) Neutral/Not Sure	13%
4) Agree	**34%**
5) Strongly Agree	30%
10) Evaluations are done in accordance with collective bargaining contracts.	
1) Strongly Disagree	2%
2) Disagree	2%
3) Neutral/Not Sure	11%
4) Agree	**35%**
5) Strongly Agree.	30%
11) The evaluation form used is relevant to my job duties.	
1) Strongly Disagree	4%
2) Disagree	3%
3) Neutral/Not Sure	15%
4) Agree	**37%**
5) Strongly Agree	28%
12) Management responds and acts on recommendations made in evaluation sessions.	
1) Strongly Disagree	2%
2) Disagree	8%
3) Neutral/Not Sure	18%
4) Agree	**37%**
5) Strongly Agree	18%
13) The District's employee sick leave policy is too lenient.	
1) Strongly Disagree	25%
2) Disagree	**43%**
3) Neutral/Not Sure	12%
4) Agree	8%
5) Strongly Agree	2%
14) The District's employee substitutes are qualified and effective.	
1) Strongly Disagree	2%
2) Disagree	12%
3) Neutral/Not Sure	17%
4) Agree	**44%**
5) Strongly Agree	15%
15) Current substitute system is effective in placing substitutes.	
1) Strongly Disagree	2%
2) Disagree	6%
3) Neutral/Not Sure	18%
4) Agree	**46%**
5) Strongly Agree	16%

Survey Questions	Lake LSD Results
16) I am aware of few lapses in certificate/licenses due to lack of management oversight.	
1) Strongly Disagree	12%
2) Disagree	**22%**
3) Neutral/Not Sure	12%
4) Agree	18%
5) Strongly Agree	11%
17) I am satisfied with how human resources activities are managed in the District.	
1) Strongly Disagree	6%
2) Disagree	13%
3) Neutral/Not Sure	**26%**
4) Agree	25%
5) Strongly Agree	15%
18) I am satisfied with the overall effectiveness of human resources management policies and procedures.	
1) Strongly Disagree	4%
2) Disagree	14%
3) Neutral/Not Sure	25%
4) Agree	**26%**
5) Strongly Agree	14%
19) I am informed of changes in District policies and procedures.	
1) Strongly Disagree	3%
2) Disagree	13%
3) Neutral/Not Sure	18%
4) Agree	**42%**
5) Strongly Agree	21%
20) The District's overall recruitment process is effective.	
1) Strongly Disagree	3%
2) Disagree	11%
3) Neutral/Not Sure	23%
4) Agree	**31%**
5) Strongly Agree	9%
21) The District's procedures regarding job posting and hiring are effective.	
1) Strongly Disagree	3%
2) Disagree	4%
3) Neutral/Not Sure	19%
4) Agree	**51%**
5) Strongly Agree	16%
22) I am satisfied with procedures regarding health benefits.	
1) Strongly Disagree	16%
2) Disagree	25%
3) Neutral/Not Sure	19%
4) Agree	**27%**
5) Strongly Agree	5%
23) Current grievance procedures are fair and effective.	
1) Strongly Disagree	4%
2) Disagree	12%
3) Neutral/Not Sure	25%
4) Agree	**38%**
5) Strongly Agree	5%
24) Current discipline procedures are fair and effective.	
1) Strongly Disagree	2%
2) Disagree	8%
3) Neutral/Not Sure	24%
4) Agree	**42%**
5) Strongly Agree	8%

Survey Questions	Lake LSD Results
25) I feel overall District employee's satisfaction and morale is positive.	
1) Strongly Disagree	8%
2) Disagree	15%
3) Neutral/Not Sure	20%
4) Agree	**41%**
5) Strongly Agree	15%

Note: Due to some individuals not responding to all questions, survey percentages may not add up to 100 percent.

Appendix 3-B: Summary of Objectives for Human Resources

The following questions were used to evaluate the human resource function within Lake LSD:

- How do District staffing levels and personnel costs compare to peer districts and best practices?

- How do District bargaining agreements, and the District's bargaining process, compare to State requirements and best practices?

- How does the District handle human resource issues such as hiring, retention, and workplace climate?

- Does the District provide a comprehensive development program for all staff?

- Are the Board of Education (BOE), the superintendent, and the treasurer able to effectively govern the District?

- Do the District's special education, at-risk, and workforce development programs effectively serve students?

Appendix 3-C: Health Benefit Plan Comparison

Table 3C-1: Comparison of Benefit Plan Coverage

	Lake LSD	Kaiser Foundation 2005 Annual Survey
Co-payments for physician visits [1]	$10	2%: $5 per visit 17%: $10 per visit 29%: $15 per visit 32%: $20 per visit 12%: $25 per visit 5%: $30 per visit 3%: $Other amount
Co-insurance for physician visits [1]	Network: 20% Non-Network: 40% * Certain services are covered at 10%	**Rate:** **10/15%** **20/25%** **30%** **40%** **Other** Conventional: 5% 94% 0% 0% 1% PPO In Network: 32% 62% 3% 0% 3% PPO Out Network: 3% 29% 27% 25% 15% POS In Network: 28% 32% 0% 0% 40% POS Out Network: 3% 32% 33% 16% 16%
Co-insurance Maximum	**Network:** **Single:** $500 **Family:** $1,000 **Non-Network:** **Single:** $1,000 **Family:** $2,000	N/A
Multi-tier drug plan co-payments [2]	**Retail** $5 generic drugs $10 preferred drugs $20 non-preferred drugs **Mail Order** $10 generic drugs $20 preferred drugs $40 non-preferred drugs	$10 generic drugs $22 preferred drugs $35 non-preferred drugs
Co-insurance for drug plan [2]	None mentioned	20% for generic drugs 25% for preferred drugs 33% for non-preferred drugs
Annual Prescription Drug Deductible	None mentioned	$122 average for workers facing a deductible. Kaiser reports that the percentage of covered workers who have drug coverage that face a separate drug deductible is 10 percent.

	Lake LSD	Kaiser Foundation 2005 Annual Survey
Average Annual Deductible	**Certificated** **Single:** $100 **Family:** $200 **Classified** **Single:** $50 **Family:** $100	**PPO (In Network)** **Single: $455** **Family: $952** *** Excluding covered workers who do not face a deductible.**
Average Cost Sharing for Hospital Visits [3]	None mentioned	**Average Hospital Deductible/Co-payment** All Plans: $241 PPO: $228 **Average Hospital Co-insurance:** 16% **Average Hospital Per Diem:** $163
Utilization Management Provisions	None mentioned	**Require Pre-Admission Certification for Inpatient Hospital Care:** 75% ~ Yes **Require Pre-Admission Certification for Outpatient Surgery:** 55% ~ Yes **Require Case Management for Large Claims:** 81% ~ Yes
Annual Out of Pocket Maximums	None mentioned	**Single Coverage:** 9%: $999 or less: 21%: $1,000 - $1,499 18%: $1,500 - $1,999 12%: $2,000 - $2,499 7%: $2,500 - $2,999 11%: $3,000 or greater 22%: No Limit **Family Coverage:** 10%: $1,999 or less 16%: $2,000 - $2,999 20%: $3,000 - $3,999 13%: $4,000 - $4,999 6%: $5,000 - $5,999 12%: $6,000 or greater 22%: No Limit

Source: Lake Local School District and Kaiser Foundation 2005 Annual Survey.

[1] Only 2 percent of covered workers in the Kaiser survey face both a co-payment and co-insurance for physician visits; 83 percent face only a co-payment; 10 percent face only coinsurance; and 5 percent neither.

[2] As reported by Kaiser, a small percentage of plans have added a fourth tier of prescription drug cost sharing, with an average co-payment in that tier of $74 and co-insurance of 43 percent. Kaiser also reports that 70 percent of covered workers have a three-tier prescription plan; 3 percent or less face both a co-payment and co-insurance for prescriptions; and 84 to 85 percent (excluding fourth tier) face only a co-payment.

[3] Only 3 percent of covered workers in the Kaiser survey face both a deductible/co-payment and co-insurance for hospital visits; 36 percent face only a deductible/co-payment only; 10 percent face only coinsurance; 2 percent face a charge per day; and 48 percent have no separate cost sharing for hospital visits.

Appendix 3-D: Collective Bargaining Agreement Analysis

Table 3D-1: Certificated Bargaining Unit Contract Analysis

	Bargaining Unit Agreement	Criteria
Number of instructional days	180 days	182 (per ORC § 3313.48)
Class size (student to teacher ratios)	1: 23 (grades K-3) 1: 25 (grades 4-12) If these ratios are exceeded by 4 students, one of the following will be considered: • Leveling at the appropriate grade level within a building; • Addition of another section (high school only); • Employment of a certificated aide; • Employment of an additional teacher; • Continuation of the present situation with agreement of involved teacher(s).	1:25 (per OAC § 3301-35-05) "Collective Bargaining for Schools (The Mackinac Center for Public Policy, 1998) states that establishing class size requirements within a collective bargaining agreement restricts the school administration's decision-making about the most effective use of staff, space, and scarce financial resources. Furthermore, researchers found that there is no evidence that supports the main justification for these proposals; namely, that smaller classes produce improvements in student performance.
Evaluation	Not mentioned.	Any board evaluating teachers shall adopt evaluation procedures that are applied consistently (per ORC § 3319.11.1).
Maximum sick leave accrual	290 days	120 workdays or more if approved by the local board (per ORC § 3319.141).
Sick leave payout at retirement	10+ years of service upon retirement or the employee's termination by reason of the expiration of the 3 year period specified in the recall/ restoration provision based upon ¼ of accrued but unused sick leave credit, up to 72.5 days.	10+ years of service - cash payment for 1/4 of the value of accrued but unused sick leave credit, up to 30 days (per ORC § 124.39).
Negotiated Wage Increase	2004-05: 0% 2005-06: 0% 2006-07: 0%	Wage increase decisions should be driven by the ability/capacity of the district to pay as evidenced by the 5-year forecast. (See **financial systems** section.)
Employee health care premium contributions	10% (up to $80/month) - family coverage 10% (up to $32/month) - single coverage.	6.8% to 16% - single coverage 8.9% to 26% - family coverage (See **Table 3-3**)

Source: Lake Local School District, Ohio Revised Code, Ohio Administrative Code, *Study on Collective bargaining for Schools* (1998), Oregon School Board Association, Association of School Business Officials, Ohio Attorney General Opinions.

Areas in which the District was deemed to be in line with minimum requirements included number of contractual days; teaching time; reduction in force; leave of absence – professional; leave non-use incentive; retirement incentive; personal leave; and Board pick-up of State Teachers Retirement System.

Table 3D-2: Classified Bargaining Unit Contract Analysis

Issue	Bargaining Unit Agreement	Criteria
Evaluation	A minimum of one formal evaluation for all employees shall be completed prior to May 1 of each year.	Classified staff shall be evaluated at regular intervals (per OAC § 3301-35-05).
Number of holidays	**Eleven or twelve month employees:** 11 days **Nine or ten month employees:** 7 days	**Eleven or twelve month employees:** 7 days **Nine or ten month employees:** 6 days (per ORC § 3319.087)
Maximum sick leave accrual	270 days	Up to 120 workdays or more with board approval (per ORC § 3319.141).
Maximum sick leave payout at retirement	10+ years of service upon retirement based upon 1/4 of accumulated sick leave credit up to a maximum of 270 days.	10+ years of service – cash payment for ¼ of the value of accrued but unused sick leave credit up to 30 days (per ORC § 124.39).
Negotiated Wage Increase	2004-05: 3% 2005-06: 0% 2006-07: 0%	Wage increase decisions should be driven by the ability/capacity to pay as evidenced by the 5-year forecast (See **financial systems** section).
Employee health care premium contributions	Full time 9-12 month employees - 7% (capped at $65 for family coverage and $24 for single coverage).	$25 to $54 per month - single coverage $84 to $113 per month - family coverage See **Table 3-3** for further discussion.
Pre-scheduled overtime	Saturday overtime for custodians shall be prescheduled at the beginning of the year.	The peer districts of Northwood LSD, Benton-Carroll-Salem LSD, and Rossford Exempted School District do not have the pre-scheduling of overtime included in their classified employee contracts.

Source: Lake Local School District, Ohio Revised Code, Ohio Administrative Code, Association of School Business Officials, peer districts.

The following classified contractual items were determined to be in line with minimum requirements: length of work week, minimum staffing, building checks, minimum call in hours, vacation leave accrual, leave non-use incentive, personal leave, retirement incentive, and Board pick-up of State Employee Retirement System contributions.

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FACILITIES

Facilities

Background

This section focuses on custodial and maintenance staffing, operations, expenditures, and building utilization within Lake Local School District (Lake LSD or the District). **Appendix 4-B** provides a summary of the audit objectives for the **facilities** section. Throughout the report, comparisons are made to best practices and benchmarks from the following organizations: the National Center for Education Statistics (NCES), the National State Auditors Association (NSAA), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the Government Finance Officer's Association (GFOA), the Texas School Performance Review (TSPR), the Ohio Schools Council (OSC), the Association of School Business Officials (ASBO), the American School and University Magazine (AS&U), and DeJong and Associates, Inc. In addition, the District's operations are compared to ten peer districts[1] chosen on the basis of enrollment, expenditures, and demographic data obtained from the Ohio Department of Education (ODE). Finally, the Auditor of State (AOS) administered a survey of Lake LSD employees regarding custodial and maintenance services and those results have been used in the report. Survey questions and results can be found in **Appendix 4-A** at the end of this section of the audit report.

Most Lake LSD students reside in Millbury, Walbridge, Lake Township, and Moline. In general, enrollment in the District is decreasing, primarily due to open enrollment. In fiscal year (FY) 2005-06, enrollment was 1,732 students. The District operates five schools: Walbridge Elementary school (grades K-1), Lake Elementary School (grades 2-5), Lake Middle School (grades 6-8), Lake High School (grades 9-12), and Millbury Elementary School, which is used as a preschool facility and houses administrative offices. The average age of District buildings is 57 years. However, in August 2003, the District opened a new middle school connecting Lake Elementary and Lake High School, creating a single building. In FY 2005-06, Lake LSD had a utilization rate within its facilities of 85 percent, a rate identified by DeJong and Associates as "optimal utilization". On a building-by-building basis, utilization rates ranged from 89 percent in the elementary schools to 82 percent in the middle school.

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[1] Peer districts include Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County).

Staffing

Prior to March 2005, the District had a full-time maintenance supervisor. However, budget constraints forced the elimination of the position. From March 2005 through June 2006, oversight of custodial and maintenance personnel and operations was assigned to the High School Principal. In July 2006, responsibility for overseeing day to day operations of the Facilities Maintenance Department (the Department) was assumed by the Transportation Supervisor, creating a new position of Transportation/Maintenance Supervisor (Supervisor). Four custodial positions (3.76 FTEs) were also eliminated through layoffs in August 2005, but, in June 2006, the District reinstated these positions.

Head custodians oversee daytime operations in each building (except Millbury Elementary which is maintained by the second shift custodian from Walbridge Elementary). One head custodian assists the District's food service operations for approximately two hours per day by transporting meals from the central kitchen to an elementary building. The remainder of his time is spent performing custodial tasks. The District also has five (5) second-shift, and two (2) third-shift custodians.

In addition to general cleaning and upkeep of the facilities, custodians assist in performing light maintenance activities as needed. The maintenance worker/groundskeeper (0.94 FTE) is responsible for performing physical plant maintenance for all buildings and grounds. According to the District, the maintenance employee uses a common sense "safety first" approach in prioritizing maintenance and repair work. Job tasks generally include upkeep of the athletic fields, and track, and performing skilled maintenance and other maintenance activities for District buildings. Preventive maintenance work is limited due to time constraints. During the summer months, three students assist with mowing and other grounds-keeping tasks. According to Lake LSD's job descriptions, custodial and maintenance employees report to building principals, the Supervisor, and the Superintendent.

Table 4-1 illustrates the Department staffing levels and the number of FTEs responsible for maintenance, custodial and grounds-keeping duties at Lake LSD.

Table 4-1: Lake LSD Facilities Staffing -Total Positions and FTEs

Position Classification	FY 2005-06 Positions	FY 2005-06 FTEs[1]	FY 2006-07 Positions	FY 2006-07 FTEs[1]
Supervisor	1.0	0.25	1.0	0.5
Secretary	0.0	0.0	1.0	0.5
Administration Total	**1.0**	**0.25**	**2.0**	**1.0**
Maintenance/ grounds keeping[2]	1.0	0.23/0.71	1.0	0.23/0.71
Maintenance/ grounds keeping Total	**1.0**	**0.94**	**1.0**	**0.94**
Head custodian[3]	4.0	3.53	4.0	3.53
Shift custodian	4.0	3.76	8.0	7.52
Custodian Total[4]	**8.0**	**7.29**	**12.0**	**11.05**
Total Department Staffing	**10.0**	**8.48**	**15.0**	**12.99**

Source: Lake LSD EMIS Reports, client interviews

[1] FTE calculations were adjusted to account for a 30 minute paid lunch period.

[2] The District has one full-time maintenance worker/grounds keeper who estimates spending 25 percent of time on maintenance activities and 75 percent of time on grounds keeping activities for an FTE count of 0.23 and 0.71 respectively (after adjusting for paid 30 minute lunch period). The total FTE count does not include seasonal help for mowing (approximately 80 hours per week or 2 FTEs during summer months).

[3] One head custodian is assigned to the day shift at each of the four main buildings (does not include the Administration building).

[4] This figure was adjusted to account for one custodian who spends 2.0 hours per day delivering food from the central kitchen to Walbridge Elementary for the Food Service Department. This position is counted as 0.71 FTE.

Department staffing levels increased by 4.51 FTEs from FY 2005-06 to FY 2006-07, due to staffing recall and the addition of a part-time (0.5 FTE) secretary.

Key Statistics

Key statistics related to the Lake LSD building maintenance function are presented in **Table 4-2**. Also included in **Table 4-2**, and throughout the report, are results from the *35th Annual Maintenance and Operations Cost Study* (AS&U, April 2006) and benchmark standards for custodial effort, measured by staffing per square foot, based on the *Planning Guide for Maintaining School Facilities* (NCES, 2003).

Table 4-2: Key Statistics and Indicators

Number of School Buildings	**5**
Elementary Schools	2
Middle School	1
High School	1
Preschool/Administration Building	1
Total Square Feet Maintained	**284,511**
Elementary Schools	88,011
Middle School	69,741
High School	108,409
Preschool/Administration Building	18,350
Square Feet per FTE custodial staff (11.05 FTEs)	**25,517**
Elementary Schools (4.1 FTEs)	21,466
Middle School (2.82 FTEs)	24,731
High School (3.76 FTEs)	28,832
Preschool/Administration Building (0.47 FTE)	18,350
NCES Standard Square Foot per FTE[1]	**28,000**
AS&U 35th Annual Cost Study Median (1,000 – 3,499 Students)	**25,167**
Lake LSD Square Feet per FTE maintenance staff (0.23 FTE)	**284,511**
AS&U 35th Annual Cost Study Median (1,000 – 3,499 Students)	**116,272**
Lake LSD Acres per FTE grounds keeping staff (0.71 FTE)[2]	**58**
AS&U 35th Annual Cost Study Median (1,000 – 3,499 Students)	**43**

Source: Lake LSD financial records, AS&U, NCES

[1] The NCES custodial staffing benchmark ranges from 28,000 to 31,000 square feet per FTE at the Level Three cleaning standard (the normal standard for most school facilities).

[2] Does not include 80 hours per week of seasonal help during summer months for mowing.

As **Table 4-2** illustrates, Lake LSD custodians maintain approximately 2,500 fewer square feet per FTE than the NCES benchmark. However, the maintenance staff maintains about 168,000 more square feet per FTE than the AS&U standard of 116,272 square feet. (See **R4.4.**)

Table 4-3 illustrates Lake LSD's FY 2005-06 General Fund custodial and maintenance-related expenditures per square foot compared to the AS&U cost study results and peer districts.

Table 4-3: Lake LSD Facilities Expenditures per Square Foot

Cost Area	Lake LSD FY 2004-05	Lake LSD FY 2005-06	Peer District Average FY 2004-05	AS&U Median 1,000 - 3,499 Students[2]
Salaries/Benefits	$2.60	$2.01	$2.88	$2.14
Purchased Services	$0.76	$0.48	$0.76	$0.16
Utilities	$1.20	$1.37	$1.52	$1.16
Supplies/Materials	$0.17	$0.14	$0.30	$0.34
Capital Outlay	$0.09	$0.11	$0.08	N/A
Other	$0.05	$0.04	$0.03	$0.14
Total General Fund Expenditures	$4.87	$4.15	$5.59	$3.94

Source: Lake LSD FY 04-05 & FY 05-06 unaudited financial records, ODE, and   AS&U 35th Maintenance & Operation Cost Study,)
[1] The Lake LSD variance to peer districts compares Lake LSD FY 2005-06 expenditures per square foot to the peer district average
[2] N/A is stated for any categories where AS&U does not report a national median.
[3] Columns may not sum due to rounding.

As shown in **Table 4-3**, Lake LSD's costs per square foot were $0.72 below the peer district average and $0.21 above the AS&U median benchmark in FY 2004-05. In FY 2005-06, Lake LSD's lower salaries and benefits expenditures per square foot is primarily due to the layoff of four custodians. However, in July, 2006, the District recalled the four custodians, thus increasing salaries and benefits to FY 2004-05 levels. Purchased service expenditures were comparable to the peer district average, which reflects Lake LSD employing a skilled maintenance worker and the use of student help for grounds-keeping services during summer months. Utilities, supplies and materials, and other costs were less than or comparable to the peer district average and the AS&U benchmark as a result of expenditure reductions in the prior year (see the **financial systems** section for additional information).

Recommendations

R4.1 **Using the Ohio School Facilities Commission (OSFC) assessment report as a starting point, Lake LSD should establish a committee to develop a comprehensive facilities master plan. The plan should reflect current building configurations and needs, and should contain other key elements such as enrollment projections and capacity analyses. The plan should serve as a road map for addressing future facility needs and planned educational programs. Likewise, it should be linked to the District's overall strategic plan (see R2.1 in the financial systems section). Committee membership should comprise a cross-section of school personnel, parents, students and community members.**

To help form the basis of the facilities master plan, the District should develop a formal five-year capital improvement plan which is updated on an annual basis to ensure that critical repairs or equipment replacements are completed. The capital improvement plan should include a project categorization and prioritization system that provides management with cost estimates, project timelines, and a breakdown between maintenance tasks and capital projects. Doing so would help ensure timely completion of work and minimize safety hazards and building deterioration. The committee should present the Board of Education with an overall plan which includes staff responsibilities, action steps, timelines, and resources necessary to achieve its facility goals.

The District does not have a comprehensive facilities master plan that includes long- and short-term goals. In 2001, the Ohio School Facilities Commission (OSFC) completed an assessment report of District facilities which included recommendations for building closures, renovations, repairs and construction. Since the OSFC assessment was conducted, the District constructed a new middle school. Other OSFC recommendations have not been implemented and the plan has not been updated.

According to *Creating a Successful Facilities Master Plan* (DeJong and Associates, Inc., 2001), school districts should develop a long-term facilities master plan to guide capital planning and maintenance efforts. The plan should contain information on capital improvements and financing, preventative maintenance and work order processes, overall safety and condition of buildings, enrollment projections, and capacity analyses. It should be developed on a foundation of sound data and community input. The desired educational program should be the driving force. As a road map for addressing the District's facility needs, the master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district-wide facility master plan is typically a 10-year plan. It should be updated periodically to incorporate improvements as they are completed, as well as changes in demographics and educational programs.

In contrast to the long-range plan, the capital improvement plan is a set of proposed actions. It is a schedule of capital improvement projects, listed in order of priority, over a number of years (usually five).[2] The capital improvement plan coincides with the long-range plan. It proposes specific projects to meet the needs identified in the long-range plan. If the long-range plan offers a range of alternatives, the capital improvement plan identifies a specific course of action the district intends to take. Capital improvement plans often include remodeling and new construction, as well as major maintenance projects.

Development of a facilities master plan will require the collaboration of educators, administrators, policy-makers, and community members. Once completed, the plan will provide a means for communicating the District's facilities outlook to the community. The master plan should include all the data collected to date as well as strategies for implementation of future projects, including timelines and costs. It should be presented to the Board of Education for approval and adoption. By developing a comprehensive facilities master plan, the District will be better positioned to advance student achievement and attainment of its educational goals by aligning its planned facility changes and upgrades with academic goals. Implementation of this recommendation will require considerable time and attention by District administrators and community members involved in the project. The cost to develop the plan would be dependent on whether Lake LSD contracted for portions of the study and plan development, completed portions in house, or was able to secure OSFC funding for components of the plan.

R4.2 **Lake LSD should complete an audit of its facilities to help guide the facilities maintenance planning process. When conducted annually, a facility audit can provide information to support short- and long-term decisions regarding preventive maintenance, equipment replacement and inventory control. Furthermore, the District should develop a formal method for retaining the information collected through facilities audits, OSFC reports, and work orders. Retention of these records could be implemented by maintenance personnel using spreadsheet programs, which can be updated periodically as the District facilities change. This spreadsheet should be used to formally track preventive maintenance schedules and work order requests in an effort to support, through historical data, the development of the District's facilities master plan and capital improvement plan (see R4.1).**

Lake LSD had a facility audit completed in June 2001, as part of the OSFC assessment. OSFC analyzed the condition of each District school, including capacity and building utilization. However, the District indicated that it does not conduct facilities audits or maintain a formal record of facility conditions. In addition, the District does not have a

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[2] *Preventative Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000).

formal preventive maintenance schedule for the routine maintenance of District facilities and equipment.

The Planning Guide for School Maintaining School Facilities (NCES, 2003) indicates that facility audits should be a routine part of the facilities maintenance program. Facility audits are comprehensive reviews of facility assets and are important because they provide facts used to develop plans for maintaining and improving school facilities. They also establish a baseline for measuring facilities maintenance progress. 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 be used as the basis for future audits.

NCES further notes that, by integrating the findings of annual facilities audits over time, planners can ascertain the impact of various maintenance strategies and efforts on product life cycles, and the future demands the aging process might place on the infrastructure of a school district. This and other information obtained through a facility audit can be used to increase facility efficiency and cost-effectiveness and project future maintenance costs. Using its OSFC facilities audit as an example, Lake LSD could conduct annual facilities audits in-house at little additional cost. Employing a spreadsheet to track preventive maintenance would help District personnel determine where potential problem areas lie. Likewise, data from an automated work order system (see **R4.3**) would be valuable in determining systems or facilities that may require large-scale or long-term repairs.

R4.3 **Lake LSD should develop and implement a work order system to prioritize and track completion of repairs and maintenance jobs. A work order system, particularly in an electronic format, would allow the District to more effectively schedule and track preventive and general maintenance tasks, as well as track and monitor the cost and amount of supplies, materials and labor used on projects (including staffing levels and overtime usage). Tracking such data would be helpful in measuring the productivity and performance of assigned personnel, estimating future costs and timeframes for potential projects, and anticipating needed facility and equipment repairs and replacements. Furthermore, tracking labor time and costs would help the Maintenance Supervisor 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 a formal work order system for maintaining facilities information or tracking completion of maintenance projects. Generally, when maintenance issues arise, the Supervisor is notified by phone and work assignments are made. According to District personnel, the work order or maintenance tasks performed are not formally documented. Emergency projects are prioritized and completed first,

followed by other projects on an as-needed basis. Preventive maintenance on boilers and the District's heating, ventilation and air conditioning (HVAC) system is contracted to an external service provider.

According to *The Planning Guide for Maintaining School Facilities* (NCES, 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 (CMMS). Their purpose is to manage work requests as efficiently as possible and meet the basic information needs of a district. CMMS software must also be user friendly so that it can be implemented with minimal training. At a minimum, 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.

NCES further indicates that a CMMS should be network or Web-based, be compatible with standard operating systems, have add-on modules, and be able to track assets and key systems. Source codes must be accessible so that authorized employees are able to customize the system to fit their 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; and
- Allow labor and parts costs to be captured on a per-building basis (or, even better, on a per-task basis).

Lastly, NCES indicates that a CMMS is necessary when staff manage more than 500,000 square feet of facility space suggesting that many smaller organizations may not have the need or resources to automate data systems. The cost of a computerized maintenance management system ranges from $195 to $19,600 depending on the number of selected features, with the average for a subscription to an online system being about $2,300. This does not include the cost of any necessary training.

Although Lake LSD falls below the 500,000 square feet at approximately 285,000 square feet, using a CMMS would help the District improve its ability to track relevant facilities data at a reasonable cost. This is particularly important as the District has several older buildings which are now beginning to show the effects of deferred maintenance. In order to ensure that the work order system is cost effective, Lake LSD should consider an online subscription to a basic CMMS system or developing an in-house system using an electronic spreadsheet.

Financial Implication: Lake LSD could purchase software for an automated work order system or purchase a subscription to an online work order system. Typically the cost of these systems is based on the number of selected features and adjusted for the number of students at the district. In addition, discounts may apply for multiple year service contracts. Based on the above factors the cost for Lake LSD to subscribe to an automated, online work order system would be approximately $2,300 annually. However, if the District determined that an in-house system based on an Excel spreadsheet would meet its needs, an automated work order system could be implemented within existing resources.

R4.4 **Lake LSD should reallocate the custodial staffing levels in its buildings to achieve a workload that is balanced between custodial and maintenance personnel and in line with national benchmarks. In addition, the District should ensure that custodial staff time spent on food service duties is charged back to the Food Service Fund. If contractually feasible, the Maintenance Supervisor should work with the Food Service Director to reassign delivery duties to a food service monitor in order to relieve a head custodian of this task, thereby allowing his full day to be dedicated to custodial work (see the food service section for further discussion). Furthermore, productivity within the Department should be maximized through enforcement of the 8-hour work day in accordance with the classified employee negotiated agreement.**

Custodial staffing levels exceed the benchmark by approximately 0.9 FTEs; whereas, maintenance staffing levels are below the benchmark by 2.6 FTEs (See **Table 4-4**). Several issues surround maintenance and custodial staffing levels at Lake LSD. First, a head custodian performs food service delivery which diverts his time from custodial duties. This time is not billed to the Food Service Fund (see **R6.1** in the **food service** section). Furthermore, the District's maintenance employee estimated spending

approximately 25 percent of his time on maintenance tasks (0.23 FTE) and 75 percent on grounds-keeping activities (0.71 FTE) (see **Table 4-1**). This level of time allocation for maintenance tasks results in the delay or postponement of maintenance projects since time constraints allow only for completion of jobs requiring immediate attention. Finally, the staff work day consists of 7.5 work hours and a paid half-hour lunch period. However, the classified bargaining unit agreement stipulates that employees are required to work an 8-hour work day.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), there are five levels of cleanliness. However, level three cleaning is the norm for most school facilities and is acceptable to most stakeholders while not posing health issues. According to level three standards, a custodian can clean approximately 28,000 to 31,000 square feet in eight hours. The District could achieve this benchmark through the reassignment of 2.0 FTE custodians to perform maintenance tasks.

Table 4-4 illustrates the current and proposed custodial and maintenance staffing levels as a result of reallocation of job duties and implementation of a full eight-hour workday in comparison to benchmarks (also see **R3.7** in the **human resources** section).

Table 4-4 Current and Proposed Staffing Levels Compared to Benchmarks

Lake LSD Current Staffing Allocation		
	Custodial FTEs	**Maintenance FTEs**
Current Lake LSD Staffing	**11.05**[1]	**0.23**
NCES Staffing FTEs (28,000 Square Feet per FTE)	10.16	N/A
Lake LSD FTEs Above NCES benchmark	**0.89**	**N/A**
AS&U Staffing FTEs (116,272 Square feet per FTE)	N/A	2.45
Lake LSD Below AS&U benchmark	**N/A**	**(2.22)**
Lake LSD Proposed Staffing Following Recommended Changes		
Current Staffing Levels Adjusted for 8-hour Workday	**11.75**	**0.25**
Relieve Head Custodian of Food Service Delivery Duties	**0.25**	**N/A**
Reallocate 2.0 Custodial FTEs to Maintenance Duties	**(2.0)**	**2.0**
Total Proposed Lake LSD Staffing Levels	**10.0**[2]	**2.25**
NCES Staffing FTEs	10.16	N/A
Lake LSD FTEs Below NCES benchmark	**(0.16)**	**N/A**
AS&U Staffing FTEs	N/A	2.45
Lake LSD FTEs Below AS&U benchmark	**N/A**	**(0.20)**
Current and Proposed square Footage Maintained per FTE		
District Square Footage	284,511	284,511
Current Lake LSD Square Footage per FTE	25,748	284,511
Current Lake LSD Square Footage Maintained Below NCES Benchmark (28,000 square feet per FTE)	(2,252)	N/A
Current Lake LSD Square Footage Maintained Above AS&U Benchmark (116,272) square feet per FTE	N/A	168,239
Proposed Lake LSD Square Footage per FTE[1]	**28,142**	**126,449**
Proposed Lake LSD Above NCES benchmark	**451**	**N/A**
Proposed Lake LSD Above AS&U benchmark	**N/A**	**10,177**

Source: Lake LSD, NCES, and AS&U 35th Annual Cost Study

[1] This represents FY 2006-07 staffing levels

[2] This represents the remaining 10 custodial FTE adjusted for an 8 hour work day. This also includes 0.25 FTE reassignment of food service delivery duties from a head custodian to a food service management company employee

Table 4-4 shows that District staffing levels could be brought in line with the NCES and AS&U benchmarks if the District were to enforce the 8-hour work day and reassign 2.0 custodial FTEs to perform maintenance duties. Implementation of this recommendation would bring custodial and maintenance staffing levels to 10.0 FTEs and 2.25 FTEs, respectively. Similarly, by reassigning 2.0 custodial FTEs to maintenance duties, the District could increase the square footage maintained per custodial FTE by about 2,000

square feet and decrease the square footage maintained per maintenance FTE by about 50,000 square feet. Reassignment of duties would leave maintenance staffing levels slightly below the national benchmark but this difference could be reduced through enhanced use of seasonal workers for grounds-keeping duties, thereby enabling the primary maintenance employee to devote more time to maintenance tasks.

Although both custodial and maintenance employees are included in the classified bargaining unit agreement, the District should inform bargaining unit representatives of the need to adjust work assignments in this manner to more efficiently and effectively accommodate the facility maintenance workload. Furthermore, enforcement of the full 8-hour work day (by offering an unpaid lunch period) should result in increased levels of productivity. Requiring employees to work the full 8-hour work day in accordance with the negotiated agreement would increase productivity by 30 minutes per day, or 2.5 hours per week per employee (see **R3.9** in the **human resources** section for further discussion).

R4.5 **Lake LSD should develop a formal policy and procedures manual for maintenance and custodial operations. Work processes, physical asset management, and resource management are the primary topics that should be covered in the manual. The District should review these policies and procedures annually and update them as necessary. A custodial and maintenance handbook to help direct Department personnel in the daily maintenance of functional, clean and safe facilities should be made available to all custodial and maintenance personnel.**

The District does not have a manual detailing the policies and procedures of the Department due to the tenure and experience of the custodial and maintenance staff. There are no written procedures pertaining to replacement, selection and purchase of equipment, purchase of supplies and materials, departmental budgeting, or facilities standards. Furthermore, there is no custodial handbook that specifies the techniques and products needed to carry out various job duties. Departmental personnel indicated that they rely on a shadowing process for about 1.5 days during new employee orientation and subsequently were to learn the remaining job elements through on-the-job training.

In the AOS survey of District personnel concerning facilities operations, 34 percent of respondents indicated facilities are not properly cleaned. Thirty-six percent of respondents also disagreed with a statement that the Department delivers quality services. These responses support conclusions that there are poorly defined standard operating procedures, inconsistent application of cleaning techniques, and a lack of supervisory oversight (see **Appendix 4-A**).

According to NCES, every maintenance and operations department should have written policies and procedures that govern day-to-day operations. This policy and procedures

manual should be readily accessible (via an intranet or the Internet). NCES suggests that, at a minimum, the policy and procedures manual should include the following:

- A mission statement;
- Personnel policies;
- Purchasing procedures;
- Accountability measures;
- Asbestos regulations;
- Repair standards;
- Vehicle use guidelines;
- Security standards; and
- Work order procedures.

The *Custodial Methods and Procedures Manual* (Association of School Business Officials International (ASBOI), 2000) can serve as a guideline for developing procedures for custodial and maintenance personnel. It outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. In addition, the International Sanitary Supply Association (ISSA) has developed a handbook designed to help train and guide new custodians. The handbook details the correct cleaning methods as well as the proper use of custodial equipment and offers guidelines and tips on the following:

- 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.

Without a policy and procedures manual to guide custodial and maintenance operations, procedures and standards may not be consistently followed. Furthermore, without a formal handbook, Lake LSD increases the risk of inconsistent and inefficient performance of daily job duties. Developing and incorporating policy and procedures manuals and standards for all District custodial staff will help ensure more efficient and

effective cleaning. Once the District has developed and implemented a manual and performance standards, it should make this information available to interested parties through its website and disseminate the information internally through links to the website.

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

R4.6 **As financial conditions improve, Lake LSD should develop a training budget for custodial and maintenance employees at a level commensurate with industry standards. The District should establish a minimum hourly training requirement and formally document when a new employee has completed the required training. At a minimum, the District should consistently provide training for custodial and maintenance staff whenever new, updated, or revised equipment, technology, and procedures are introduced. Training session attendance should be documented in the attendee's personnel file. Written training policies should become part of the department-wide policy and procedures manual and departmental handbook (see R4.5).**

The District does not have a training budget or formal training policy for custodial and maintenance employees The District occasionally uses informal employee training made available through suppliers. For example, one of the District's chemical cleaning suppliers conducts workshops on appropriate use of its products. The District also provides on-the-job training for new maintenance and custodial employees through an informal shadowing program. Lake LSD incorporates many of the NCES recommended practices in its informal new employee training; however, informal training sessions are inconsistent and are not documented or tracked in employee personnel files.

NCES suggests that prior teaching of a specialized task does not guarantee future ability or proficiency, especially if the task is not performed on a routine basis. Ongoing training and professional development allows staff to understand that "staff training" is essential to help employees do their job better. Professional development has a broader meaning which includes expanding participants' knowledge and awareness to areas outside their specific job duties, yet is still related to the overall well-being of the organization. Topics might include the following:

- Asbestos awareness;
- Energy systems;
- Building knowledge;
- First aid;
- Emergency response;
- Biohazard disposal;

- Technology use;
- Universal precautions; and
- Right-to-know.

NCES recommends that new employees receive an orientation to the organization's facilities, the person's work area, equipment instructions, task-oriented lessons, expectations, and evaluation information. Formally documenting new employee training and implementing continuous training programs will help ensure the overall effectiveness and efficiency of staff.

According to *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards* (Ammons, D., 2nd ed., 2001), training budgets should comprise approximately 3 percent of the department's payroll. Based on Lake LSD Facilities Maintenance Department payroll costs for FY 2005-06, a budget of 3 percent for training would amount to approximately $11,000. In addition, *21st Century Staffing: Three Strategies to Prepare for the Challenges Ahead* (FacilitiesNet, February, 1999) recommends having contractors perform technical training as a part of their customer service program. This is generally provided at no additional cost.

By not providing and documenting continuous training on new equipment, technology, or procedures, the District runs the risk of employees working in an inefficient or ineffective manner. Additionally, inadequate training could place the District at increased risk for liability due to accidents or improper use of cleaning supplies or equipment. Training employees on new or updated standards will help ensure that they have a complete understanding of the standards and how to use new equipment, products, and technology.

Financial Implication: Based on Ammon's benchmark, the annual cost to implement a custodial and maintenance training program would be approximately $11,000 based on FY 2005-06 payroll expenditure levels.

R4.7   **Lake LSD should develop and implement formal performance standards and measures to consistently evaluate the efficiency and effectiveness of personnel. The District should seek to maximize productivity through the development and implementation of specific performance measures including the number of square feet cleaned per hour or per shift, and costs per square foot. Stakeholder ratings regarding quality of service should be used in conjunction with national benchmarks to assist in establishing appropriate productivity measures. Increased efforts to measure and track performance can assist in improving decision-making and resource allocation and may help reduce operating expenditures. Additionally, the District should consistently evaluate the performance of all maintenance and operations staff on an annual basis (see Human Resources section for further discussion).**

During the course of the performance audit, the District began to conduct annual performance appraisals within the Facilities Maintenance Department. The Supervisor uses a standard classified employee evaluation form when evaluating the performance of maintenance and operations personnel. Additionally, during the course of the audit, the District updated custodial and maintenance job descriptions to detail updated job expectations by position, task, shift, and building.

The District does not have a formal plan for ensuring maximum productivity and does not compare benchmarks (like cost per square foot, quality of service, standards for productivity and performance) to national or District-established norms. Although the District outlines job responsibilities in its job descriptions, pairs new employees with existing employees for on-the-job orientation, and evaluates employee performance through an annual performance review process, productivity and performance standards are not well-defined. Furthermore, the Department does not solicit customer input which could be helpful in making management decisions.

According to the AOS administered employee survey, 36 percent of the District personnel surveyed disagreed or strongly disagreed that the District's custodial and maintenance employees deliver quality services. Additionally, 32 percent disagreed or strongly disagreed that custodial tasks are completed efficiently. (See **Appendix 4-A** for details) In these areas, one-third of respondents did not feel the Department was performing at an acceptable level.

According to *A Game Plan for Productivity: Tactics for Holding Down Labor Costs and Helping the Bottom Line* (FacilitiesNet, April 1999), as managers measure the productivity of the custodial function and increase the productivity of the people that perform these activities, dollar savings typically result. Facilities managers who apply recommended practice principles can increase the productivity of their custodial operations by 10 to 25 percent and decrease the overall labor budget. Productivity measures should include the following elements:

- Square feet cleaned per hour or per shift;
- Costs per square foot to clean a facility;
- The quality of service;
- Definitions for productivity and performance; and
- Customer input.

Without performance standards and measures that are well defined, the District limits its ability to objectively evaluate staff and organizational performance, and increases the risk of making uninformed decisions. Also, by failing to clearly define job responsibilities, employees may not be fully aware of expectations and duties. By implementing

performance standards and measures coupled with formal job expectations, Lake LSD could raise the level of service provided by the Department at no additional cost.

R4.8   **Lake LSD should enhance its supervisory oversight of custodial staff in an effort to improve service quality ratings, building cleanliness and Department employee demeanor. The Supervisor should collaborate with building principals to ensure that adequate supervision of custodial and maintenance personnel within their buildings. While principals are not responsible for advising custodial and maintenance employees how to clean, they can provide direction to the Supervisor regarding areas that are not being maintained at a satisfactory level.**

During the course of the audit, the District took steps to increase the supervision of its custodial staff.

The District's custodial and maintenance personnel are directly responsible to the Transportation/Maintenance Supervisor. However, according to their job descriptions, these employees report to the building principals.

According to the AOS survey of District employees, 38 percent responded in the negative when asked if custodial tasks are completed efficiently, When asked if custodial and maintenance employees deliver quality services, 36 percent responded in the negative. Thirty-four percent said facilities were not properly cleaned and 23 percent responded in the negative when asked if custodians are polite and have good work ethics and attitude. These responses could be indicators of inadequate supervision and/or performance feedback. In addition, according to the Supervisor, no formal building inspections have been performed and building principals are not making routine cleanliness inspections.

According to the Florida Office of Program Policy and Government Accountability (OPPAGA), districts should implement accountability mechanisms to ensure the efficiency of maintenance and operations, including the development of a comprehensive set of measures to evaluate overall effectiveness. Accountability measures help school districts ensure that personnel are performing their duties in an appropriate and conscientious manner.

Without adequate supervision, the District increases the risk of inconsistency in cleaning procedures and cleanliness levels. Poor levels of cleanliness lead to user complaints and, in worst case scenarios, health and safety issues.[3] Also, without adequate accountability mechanisms, custodial personnel not may maintain facilities in an appropriate manner. On the other hand, the District will increase the overall stakeholder satisfaction with

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[3] Because of unclean building conditions, Lake LSD was cited by the Wood County Health Department for rodents in Lake Elementary School. Since the citation, this problem has been resolved.

performance by providing consistent custodial and maintenance accountability and supervision.

R4.9 **To reduce energy expenditures, the District should formalize its policies and procedures for energy conservation. Furthermore, the District should develop and implement a plan to train employees and students in conservation-oriented behaviors. Key elements of this plan should be included in the broader facilities master plan (see R4.1) and District-wide strategic plan (see the financial systems section). Finally, energy conservation practices should be included within the District's policy and procedures manual (see R4.5).**

During the course of the audit, Lake LSD contracted with a local energy management company to increase its energy management activities. Using HB 264 funding, Lake LSD plans to replace aging boilers with more efficiency models, retrofit lighting fixtures, and implement heating and lighting controls to decrease energy usage. The District has been provided estimates of savings that are in excess of those included in the audit report. Funds borrowed for the project under HB 264 will be repaid from the savings generated by improved energy management practices.

Lake LSD has implemented practices for energy conservation such as the use of technology to reduce electricity consumption and the purchase of energy through consortiums in order to help contain energy costs. However, the District does not have a formal energy conservation program aimed at overall energy conservation and education. Starting in 1995, Lake LSD used HB 264 funds for third party services to monitor building facilities, equipment, and temperatures in an effort to further reduce expenditures. The District also contracted with the Ohio Schools Council (OSC) Electric Prepayment Purchasing Program starting in 2005 in an effort to reduce energy costs. This yielded a savings of approximately 14 percent.

However, Lake LSD has not formalized any policies or procedures related to its energy conservation or cost reduction practices. Further, the District does not have a formal plan aimed at educating and training employees and students in conservation-oriented behaviors that align with best practices. Energy conservation education programs would help promote understanding and cooperation among students and staff. Although temperature monitoring systems are in place, teachers can influence energy consumption on a day-to-day basis by monitoring individual classroom thermostat and lighting controls.

According to NCES, the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy consumption. The

following guidelines will help a school district accomplish more efficient energy management:

- 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).

According to *Energy-Efficient Education: Cutting Utility Costs in Schools* (Office of the Texas Comptroller, 2001), the bottom line for most energy management programs is getting the people who control the energy-using equipment to understand how they are involved in the overall conservation of energy. Texas school districts have implemented several innovative programs including the following:

- A rebate program that rewards each school for efficient energy use by sharing savings with any school that reduces its usage below the budgeted amount.
- Student councils, science and environmental clubs and any school organization (grades 1 - 12) to educate their schoolmates, teachers and the general public about ways to save energy in their schools, homes and communities.
- The Watt Watchers and Watt Team (referred to as WATTEAM) programs where student teams patrol assigned areas of their school, checking for lights left on in unoccupied rooms. "Tickets" or thank you notes are left for the occupants to remind them to turn off lights when they are not needed.

Union Elementary School in the Lakota Local School District (Lakota LSD) generated an average electric energy cost savings of $0.23 per square foot, which amounts to a 21 percent cost savings per square footage. These cost savings were achieved by educating students, staff, and administrators through the use of flyers encouraging energy conservation. Several standard energy saving practices were implemented, including best practice programs similar to those in use in Texas.

An effective energy conservation policy will help Lake LSD mitigate some of the yearly increases in the utilities expenditures, thus freeing up funds for instructional programs which directly benefit students.

Financial Implication: Taking into account variable energy costs and fluctuating energy use levels, it is conservatively estimated that the District could save approximately 15 percent of its electricity costs. This would generate a savings of at least $43,000 per year, based on FY 2005-06 electric expenditures.

R4.10 The District should review its crisis plan in conjunction with Board policies and procedures on an annual basis and update the plan to reflect changes in District needs, emergency contacts, and administration. Furthermore, the District should continue to make the updated crisis plan readily available to District personnel. By reviewing the crisis plan regularly, the District can better ensure that its contents are accurate and relevant to the District's crisis management needs.

Lake LSD has adopted the Wood County Schools Crisis Plan which outlines proper procedures regarding the handling of threats to the safety of school property, students, employees, or administrators. The plan also contains protocols for emergency management and disaster recovery. However, a review of the plan revealed a lack of regular reviews as the plan contained outdated contact information. During the course of the audit District officials initiated steps to update and disseminate current plan information to faculty and staff.

According to ORC § 3313.536, the Board is charged with adopting a comprehensive school safety plan for each school building under its control and examining the environmental conditions and operations of each building to determine potential hazards. The ORC also requires the District to file of a copy of the safety plan with each law enforcement agency having jurisdiction over the buildings and states that the plan should be updated as conditions and/or information changes. Although Lake LSD is in compliance with this statute through its adoption of the Wood County Schools Crisis Plan, the Board does not conduct regular reviews of the plan, nor does it review a copy of the safety plan filed by the County with the local law enforcement agency on the District's behalf.

According to *Best Practices for Maintaining School Facilities* (NCES, 2003), comprehensive safety and security plans address the following:

- Locking systems;
- Equipment protection;
- Visibility;
- Police / security facilities;
- Fire protection;
- Communications systems; and
- Crisis management / disaster planning.

Regular reviews of the crisis plan will allow Board members and District administrators to ensure the contents address these issues and otherwise align with NCES standards. This type of strategic approach to safety and security planning will also help ensure that readiness is at the highest level. While no pre-emptive plan can fully address all of the issues which may arise during a crisis situation, the plan will help to direct individuals to appropriate courses of action when needed. Absence of a security or crisis plan could lead to less effective reactive responses which could increase the potential risk of injury or damage within the District. Through periodic review of the crisis plan and an understanding of procedures performed by the County on behalf of the District, the Board can better ensure that potential safety and security hazards are appropriately planned for and addressed, contact information within the plan is current, and safety and security activities are aligned with best practice standards.

Financial Implications Summary

The following table summarizes the estimated annual costs savings, annual implementation costs, and one time implementation costs:

Summary of Financial Implications in Facilities

Recommendation	Estimated Annual Cost Savings	Estimated Annual Implementation Cost	Estimated One Time Implementation Cost
R4.3 Subscribe to an automated, online work order system		$2,300	
R4.5 Purchase ISSA handbook			$60
R4.6 Establish a training budget		$11,000	
R4.9 Implement an energy conservation educational program	$43,000		
Total	**$43,000**	**$13,300**	**$60**

Source: AOS recommendations

Appendix 4-A: Employee Survey Responses

AOS administered a survey to Lake LSD's 188 employees to obtain feedback and perceptions concerning facilities issues. The survey was completed by 113 employees, 106 (94 percent) of whom completed the facilities section of the survey. The overall participation rate for the AOS survey was approximately 60 percent. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly Disagree. **Table 4-A1** illustrates the results.

Table 4-A1: Facilities Survey Results

Survey Questions	Survey Results[1]
1. Work orders are responded to in a timely manner	
Strongly Disagree	5%
Disagree	12%
Neutral	16%
Agree	**41%**
Strongly Agree	12%
2. Custodial and maintenance employees deliver quality services.	
Strongly Disagree	7%
Disagree	29%
Neutral	14%
Agree	**37%**
Strongly Agree	9%
3. Emergency work orders are given top priority.	
Strongly Disagree	3%
Disagree	7%
Neutral	20%
Agree	**37%**
Strongly Agree	12%
4. Schools are notified in advance of work to be performed.	
Strongly Disagree	1%
Disagree	9%
Neutral	19%
Agree	**24%**
Strongly Agree	7%
5. Schools are advised of incomplete work orders.	
Strongly Disagree	2%
Disagree	5%
Neutral	**29%**
Agree	13%
Strongly Agree	2%

Survey Questions	Survey Results[1]
6. Work is scheduled so it is not disruptive.	
Strongly Disagree	2%
Disagree	15%
Neutral	22%
Agree	**35%**
Strongly Agree	10%
7. Workers are careful near children.	
Strongly Disagree	0%
Disagree	2%
Neutral	10%
Agree	**49%**
Strongly Agree	23%
8. Overall, I am satisfied with the maintenance department.	
Strongly Disagree	7%
Disagree	15%
Neutral	16%
Agree	**45%**
Strongly Agree	13%
9. The regular cleaning schedule appears to be appropriate.	
Strongly Disagree	11%
Disagree	8%
Neutral	13%
Agree	**54%**
Strongly Agree	11%
10. Custodial tasks are completed efficiently.	
Strongly Disagree	8%
Disagree	24%
Neutral	14%
Agree	**38%**
Strongly Agree	12%
11. Facilities are properly cleaned.	
Strongly Disagree	10%
Disagree	24%
Neutral	11%
Agree	**47%**
Strongly Agree	7%
12. Custodians are polite and have a good work ethic and attitude.	
Strongly Disagree	3%
Disagree	20%
Neutral	23%
Agree	**38%**
Strongly Agree	16%
13. There appears to be a sufficient number of custodians in my building.	
Strongly Disagree	7%
Disagree	11%
Neutral	15%
Agree	**52%**
Strongly Agree	10%
No Opinion	5%

Survey Questions	Survey Results[1]
14. School grounds are properly maintained.	
Strongly Disagree	7%
Disagree	16%
Neutral	20%
Agree	**40%**
Strongly Agree	13%
15. Custodial staff cooperates with other staff regarding safety of equipment on school grounds.	
Strongly Disagree	2%
Disagree	8%
Neutral	17%
Agree	**46%**
Strongly Agree	14%
16. Work appears to be scheduled according to priorities.	
Strongly Disagree	3%
Disagree	8%
Neutral	22%
Agree	**35%**
Strongly Agree	9%
17. Workers show respect for school property.	
Strongly Disagree	1%
Disagree	5%
Neutral	12%
Agree	**58%**
Strongly Agree	19%
18. Playground equipment is properly maintained.	
Strongly Disagree	1%
Disagree	5%
Neutral	21%
Agree	**30%**
Strongly Agree	12%
19. Overall, I am satisfied with the custodial staff's work.	
Strongly Disagree	5%
Disagree	21%
Neutral	15%
Agree	**43%**
Strongly Agree	14%

Source: AOS survey results
[1] Percentages for each item may not sum due to rounding or skipped responses.

Appendix 4-B: Summary of Objectives for Facilities

The following questions were used to evaluate the Facilities Maintenance Department's performance within Lake LSD:

- Does the Facility Maintenance Department use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function and does it use these in management decision making?

- Has the District established procedures and staff performance standards to ensure efficient operations?

- Is the District's custodial and maintenance staffing comparable to best practices?

- Does the District provide a staff development program that includes appropriate training for maintenance and operations staff to enhance worker job satisfaction, efficiency, and safety?

- Are District energy management practices comparable to best practices?

- Are the District's facility management and planning practices comparable to best practices?

- Does the Facilities Maintenance Department have a system for prioritizing maintenance needs uniformly throughout the district?

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Transportation

Background

This section of the performance audit focuses on Lake Local School District's (Lake LSD or the District) transportation operation. **Appendix 5-A** provides a summary of the audit objectives for the **transportation** section. Comparisons are made to 10 peer districts[1] which have been selected based on demographic data obtained from the Ohio Department of Education (ODE) and to other industry benchmarks, such as the American Association of School Administrators (AASA) and the Government Finance Officers Association (GFOA). In addition, the Auditor of State's Office (AOS) administered a survey of Lake LSD's employees regarding transportation services and those results have been used throughout this report.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to 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 special needs students who are unable to walk to school, regardless of distance.

Transportation Policy

As written, the District's policy exceeds State minimum requirements, attributable in part to its rural setting and identified hazards (e.g., highways, lack of sidewalks, etc.). As stipulated by the Lake LSD 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 further stipulates that the District will provide transportation for resident students in grades K-8, who live more than two miles from school and for all students with physical or mental disabilities which make walking impossible or unsafe. Pursuant to District policy, however, transportation of high school students is optional. As of FY 2006-07, Lake LSD transports high school students, but this service was briefly suspended in FY 2005-06 as a cost-cutting measure (see **Table 5-2**).

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[1] Peer districts include the following: Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County).

Demographic Comparisons

Table 5-1 compares the basic demographics and expenditure data of Lake LSD to the peer district average.

Table 5-1: Demographic and Expenditure Comparison

	Lake LSD FY 2004-05	Peer Average FY 2004-05	Percent Above (Below)	Lake LSD FY 2005-06
District Square Miles	36	30	20.0%	37
Number of Students Enrolled	**1,843**	**4,496**	**(59.0%)**	**1,733**
• **Per District Square Mile**	51	152	(66.4%)	47
• **Population Density**	279	975	(71.4%)	278
Total Expenditures (General Fund)	**$11,436,860**	**$32,300,639**	**(64.6%)**	**$11,106,973**
• **Per Enrolled Student**	**$6,206**	**$7,172**	**(13.5%)**	**$6,409**
Pupil Transportation Support Services Expenditures (General Fund)	**$658,848**	**$1,686,141**	**(60.9%)**	**669,772** [1]
• As a percentage of Total	5.8%	5.5%	0.3%	6.0%
• Per Enrolled Student	$357	$393	(9.2%)	$386

Source: Ohio Department of Education
[1] In FY 2005-06, the District's expenditures increased only slightly as a result of a new bus purchase.

As **Table 5-1** illustrates, the District's transportation operation, as it pertains to enrollment and expenditures, is roughly one-third the size of the peer average, despite having to serve slightly more square miles. In terms of the General Fund, the District's transportation-related 2800 function code (Pupil Transportation Support Services) comprises about 6 percent of total expenditures, similar to the peer average, yet expenditures fall approximately 9 percent below the peer average on a per enrolled student basis because of the District's lower per pupil expenditures. Finally, the 71.4 percent differential in population density is an indication that Lake LSD is located in a more rural setting that is sparsely populated compared to peers.

Operating Statistics

Lake LSD provided transportation to 1,705 Type I riders who attended 3 public and 9 non-public school sites during FY 2004-05. Type I services[2] pertain to those provided on Board-owned yellow buses and typically comprise the majority of transportation-related costs for which school districts are reimbursed by ODE. **Table 5-2** compares the District's transportation statistics to the peer average and also indicates changes in FY 2005-06.

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[2] ODE classifies pupil transportation ridership by the following types: Type I (riders on Board-owned yellow buses), IA (riders on another district(s) buses), II (riders on outsourced/leased, contractor-owned buses), III (riders on public utilities such as taxis), IV (payment in lieu), V (riders on Board-owned vehicles other than buses), VI (riders on privately-owned vehicles), and VII (community school riders).

Table 5-2: Pupil Transportation Operating Statistics – FY 2004-05 and FY 2005-06

	Lake LSD FY 2004-05	Peer Average FY 2004-05	Percent Above (Below)	Lake LSD FY 2005-06
Regular Driver FTEs	8.5	N/A	N/A	6.8
Riders	**1,705**	**3,306**	**(48.4%)**	**1,523**
• **Regular Needs**	1,683	3,257	(48.3%)	1,484
• **Special Needs**	22	51	(56.9%)	39
Buses [1]	**27**	**43**	**(37.2%)**	**23**
• **Active**	18	36	(50.0%)	19
• **Spare**	9	6	50.0%	4
Spare Buses As % of Fleet	33.3%	15.3%	18.0%	17.4%
Special Needs Buses	2	4	(50.0%)	2
Special Needs Buses as % of Active Buses	11.1%	11.4%	(0.3%)	10.5%
Riders Per Active Bus	**94.7**	**96.4**	**(1.7%)**	**80.2**
Annual Routine Miles [2]	**273,240**	**385,704**	**(29.2%)**	**240,840**
• **Per Bus (including spares)**	10,120	8,945	13.1%	10,471
Total Expenditures	**$654,973**	**$1,458,349**	**(55.1%)**	**$598,915**
• **Per Rider**	**$384**	**$458**	**(16.1%)**	**$393**
• **Per Bus**	**$24,258**	**$34,742**	**(30.2%)**	**$23,957**
• **Per Routine Mile**	**$2.40**	**$4.09**	**(41.4%)**	**$2.49**

Source: Ohio Department of Education
Note 1: Figures include both regular and special needs-related expenditures and are rounded to nearest $1.
Note 2: Peer averages may not foot and cross-foot numerically due to rounding.
Note 3: Routine miles refer to trips necessary for the daily attendance of children in their educational program, whereas non-routine miles typically refer to field trips.
[1] The District traded in 2 spare buses in May, 2006 to purchase 1 new bus. It also sold 3 spare buses in June, 2006 for a net fleet reduction of 4 buses.
[2] Excludes non-routine miles because related expenditures are non-reimbursable.

As shown in **Table 5-2**, Lake LSD's total ridership decreased by nearly 200 students (10.7 percent) in FY 2005-06, attributable, in part, to a decline in enrollment, as well as temporary elimination of high school transportation services. The District also made net reductions to its fleet (4 buses) and staffing levels (1.7 regular bus driver FTEs). In FY 2004-05, Lake LSD reported $654,973 in pupil transportation-related expenditures, of which ODE reimbursed about 66 percent. District expenditure ratios fall significantly below peer averages, attributable to its relatively small student population in relation to the peers (see **Table 5-1**), as well as several notable practices.

Recommendations

R5.1 **The Transportation Supervisor should work with the administration and Board to include transportation-specific goals and objectives in an updated, District-wide strategic plan (see financial systems). At minimum, these operational goals and objectives should focus on reducing fuel costs (see R5.4), formalizing the District's bus replacement planning process (R5.5), and addressing employee-identified issues, as indicated in the AOS survey.**

The District's previous strategic (or continuous improvement) plan does not contain pupil transportation-specific goals or objectives. It should also be noted that this plan has not been updated since 2004, which can be attributed to the District's recent financial constraints (see **Financial Systems**). Although its goals are broad (e.g., refine transportation efficiency), Dublin City School District (Franklin County) incorporates instructional and operational action steps within its district-wide strategic plan. This helps to ensure that both academic and non-academic goals are communicated.

Without an updated, District-wide strategic plan that includes specific, operational goals and objectives, transportation-related needs cannot be effectively communicated to all stakeholders, including the Board, District employees, and community members. For example, the District has indicated its need to replace buses, but there is no formal plan in place that links this particular goal to necessary resources (see **R5.5**). Furthermore, an AOS survey of Lake LSD employees suggests that although the Transportation Department is performing effectively, improvements could be realized by improving the level of communication and the quality of relationships between employees and District management (see **Appendix 5-A**).

R5.2 **The Transportation Supervisor should develop formal and comprehensive standard operating procedures (SOPs) that describe, in detail, those critical activities that transportation personnel perform on a day-to-day basis. Formal and comprehensive SOPs will enable Lake LSD to describe its transportation function to both internal (District personnel) and external (community members) stakeholders. More importantly, because the District's transportation function operates relatively efficiently, formal and comprehensive SOPs will help to facilitate cross-training and continued service delivery in the absence of employees with extensive institutional knowledge.**

The Transportation Supervisor has not formally documented critical transportation-related activities (e.g., routing, managing special needs and other types of riders, managing contracts for outsourced services, completing and submitting T-forms, etc.) by means of comprehensive SOPs.

According to GFOA, government agencies should document critical activities through formal policies and procedures. Such documentation should be readily available to all employees who need it and should delineate the authority and responsibility of all employees. A well-designed and properly maintained system of documentation (i.e., SOPs) enhances both accountability and consistency, and can also serve as a useful training tool for staff. Reflecting this best practice, Lake LSD's Treasurer's Office has developed a formal policy and procedures handbook that describe its responsibilities in detail. Furthermore, the Treasurer has made this handbook available to Board members and employees as a means of clarifying roles and responsibilities.

Without formal SOPs, Lake LSD cannot effectively communicate its transportation processes to internal and external stakeholders or use the information to cross-train staff (e.g., a back-up for the Transportation Supervisor). As a result, Lake LSD cannot ensure operational continuity in the absence of personnel with knowledge of transportation operations. This is especially important as the Transportation Supervisor assumes additional responsibilities as the District's Maintenance Supervisor during the performance audit (see the **facilities section**). The operating manuals for the Treasurer's Office can be used as a model and the SOPs could be developed in-house at no additional cost to the District.

R5.3   **The District should revise Board policy file # EEAA to include a list of identified hazards from those outlined in Ohio Administrative Code (OAC) § 3301-83-20(I). The policy should clearly explain that, as a result of these hazards (and other exceptions), transportation services may exceed State minimum standards for high school students and those pupils who reside less than two miles from their schools. This will help to ensure that all stakeholders are aware of the District's transportation practices.**

The District's transportation policies are not specific in defining hazards and how these might impact the transportation policy. Board policy file # EEAA stipulates that transportation service level exceptions to established areas may be made by the Board when, "in the judgment of the Board, walking conditions to the student's school are extremely hazardous and/or because of overcrowding and the necessity to assign students to another building, the Board deems transportation necessary."

According to OAC 3301-83-20(I), a number of hazards exist that could result in the District transporting students above the recognized State minimum standards. Specifically, these hazards include the following:

- Construction sites;
- Heavy traffic volume (overcrowding);
- Speeds exceeding thirty-five miles per hour;

- Lack of sidewalks or sidewalks in poor condition;
- Overpasses and underpasses;
- Areas of poor visibility;
- Restricted sight distances;
- On-street parking areas; and
- Railroad crossings.

The Transportation Supervisor indicates that highways, railroad tracks, shopping centers, and other distractions make it unsafe for some students to walk to school. However, by failing to recognize these hazards in policy, the Board cannot effectively communicate its transportation service-related practices to the community. Specifically, without detailed policies, the District may not be in the best position to fully explain service exceptions, including why some students ride on District-owned yellow buses and others do not.

R5.4   **Lake LSD should use competitive bids or requests for proposals (RFPs) when purchasing fuel to ensure accountability for funds and reduce transportation costs. If this is unsuccessful, Lake LSD should consider installing an above ground storage tank that meets the Ohio Environmental Protection Agency's (OEPA) requirements. Doing so would enable the District to use consortia or the State contract offered by the Ohio Department of Administrative Services (ODAS) to purchase fuel at a reduced cost per gallon. In addition, the Transportation Supervisor should work with the Treasurer to ensure fuel-related costs are charged to proper District users.**

Lake LSD does not use a competitive bid process to select its fuel supplier. According to the Transportation Supervisor, the District had an underground bulk storage tank that had to be removed several yeas ago due to OEPA regulations. The supplier providing the bulk fuel is still used as the District's single source. This supplier maintains locked pumps for District use at its distribution facility. District drivers have keys to the pumps and must record usage on fuel logs which are then submitted to both the supplier and Transportation Supervisor for billing and monitoring purposes. The Transportation Supervisor also indicates that all District fuel costs in previous years were absorbed by the Transportation Department, rather than shared among departments. A cost allocation mechanism is being developed with the Treasurer to help minimize the Transportation Department's portion of these costs.

Compared to the peer average, Lake LSD operates with a smaller bus fleet which travels fewer annual routine miles. As a result, the District's overall fuel expenditures fall 34.3 percent below the peers. On a per bus basis, however, Lake LSD's fuel expenditures exceed the peer average by nearly $90.

Lake LSD has not solicited competitive bids for fuel in many years and therefore cannot ensure it is receiving the best price. Pursuant to guidelines established by ODAS Office

of Risk Management and OAC § 5101-9-58, RFPs should be issued every three years to at least five potential fuel suppliers. By regularly issuing RFP's for fuel, Lake LSD would ensure it is receiving the best price and could reduce its current fuel costs.

If the District is unable to obtain better prices through competitive bidding or RFPs, it should consider partnering with neighboring governments or developing cooperative agreements or, as a last resort, possibly installing an above ground storage tank that meets EPA regulations.[1] In 2004, an engineering firm that specializes in fuel and chemical storage, estimated costs for standard installation, including tank and related equipment at approximately $71,000. In addition, liability insurance for the type of equipment specified ranges between $500 and $1,000 per year, according to an underwriter whose primary geographic focus is the northeastern United States.

Table 5-4 compares Lake LSD's fuel cost per gallon to the State's contracted fuel price between May and July, 2006. The State, through ODAS, procures fuel from the same company that supplies Lake LSD's distributor.

Table 5-4: Lake LSD Fuel Cost per Gallon Compared to ODAS State Contract

Fuel Type	ODAS Contract Date	State Contract Price per Gallon	Lake LSD Purchase Date	Lake LSD Price per Gallon	Percent Above (Below) State Price
Supreme Diesel	5/1 – 5/7	$2.2637	5/3	$2.3150	2.3%
Supreme Diesel	5/29 – 6/4	$2.1643	6/1	$2.6900	24.3%
Unleaded	5/29 – 6/4	$2.0967	6/2	$2.3450	11.8%
Supreme Diesel	6/12 – 6/18	$2.2843	6/14	$2.7500	20.4%
Supreme Diesel	7/3 – 7/9	$2.2872	7/6	$2.6900	17.6%
Supreme Diesel	7/10 – 7/16	$2.3518	7/12	$2.6600	13.1%
Average		**$2.2413**		**$2.5750**	**14.9%**

Source: Lake LSD and ODAS

Table 5-4 shows that compared to the ODAS State contract for fuel, Lake LSD spends about 15 percent ($0.334) more per gallon on average. By installing an above ground tank, the District could purchase bulk fuel at a reduced rate. For example, the average bulk cost per gallon from ODAS in the May-July 2006 time period was $2.2413 which is significantly lower than the District's average cost per gallon of $2.575 for the same time period.

By seeking ways to reduce overall fuel costs and properly allocating those costs to other departments, Lake LSD will be able to better monitor its bus fuel costs and adequately plan for District transportation operations.

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[1] Lake LSD may be able to form a cooperative agreement with another Wood County school district, or one of the townships within or adjacent to the District.

Financial Implication: Assuming the District can solicit bids to reduce its fuel costs to at least the State contract average price in **Table 5-4,** it can achieve an annual cost savings of $12,000 or $0.334 per gallon. This is based on a fuel consumption estimate of 36,000 gallons per year and does not account for variations in bulk savings that may occur depending on the size of the tank installed. Assuming the 2004 cost estimates for an above ground storage tank remain constant, Lake LSD could use fuel savings to pay the cost of purchasing a tank in approximately six years.

Routing Efficiency and Bus Replacement

R5.5 **The District should develop a formal bus replacement plan that considers recent declines in enrollment and ridership, as well as ODE age and mileage replacement criteria. Furthermore, this plan should be linked to the District's five-year forecast and used to facilitate a fleet reduction of at least two active buses and accompanying regular bus drivers. This will help to bring Lake LSD ridership ratios and staffing levels more in line with the peer average and AASA benchmarks.**

During the course of the audit, the Treasurer developed a bus acquisition strategy using a lease purchase arrangement for buses coming off factory lease. Lake LSD opted to purchase six buses each with only one year of service and less than 15,000 miles from the bus manufacturer. The Treasurer estimated that, over the four year payment period, the District would save almost $200,000 over buying new buses. Lake LSD may, in the near future purchase two additional buses to bring the fleet more in line with the desired age and mileage. Using the lease purchase strategy allows Lake LSD to immediately catch up on its replacement cycle without incurring large up-front costs.

Lake LSD does not effectively manage the size of its active fleet. It has not developed a formal bus replacement plan that is linked to enrollment/ridership projections, reflected in the five-year forecast, and used to optimize fleet size and routes. As a result, its rider per bus ratio falls below peer and AASA benchmarks.

Table 5-6 compares Lake LSD's operational efficiency with the peer average using the riders per bus ratios.

Table 5-6: Lake LSD Bus Capacity Comparison

	Lake LSD FY 2004-05	Peer Average FY 2004-05	Percent (Above) Below	Lake LSD FY 2005-06
Total Riders	1,705	3,306	(48.4%)	1,523
Total Active Buses	18	36	(50.0%)	19
Total Riders per Active Bus	94.7	96.4	(1.8%)	80.2
Active Regular Needs Buses	16	34	(52.9%)	17
Riders per Active Regular Needs Bus (Excludes Special Needs)	105.5	104.7	0.8%	87.6

Source: Ohio Department of Education
Note: "Active regular needs buses" exclude those used for primarily special needs riders, because these services are tied directly to Individualized Education Programs (IEPs).

In FY 2005-06, the District's riders per active bus ratio has decreased significantly. Over the past three fiscal years, Lake LSD has experienced a decline in enrollment, contributing to a corresponding decline in regular ridership. Despite this decline, however, Lake LSD purchased a new bus in FY 2005-06; reducing its riders per active bus ratio from 94.7 to 80.2 (or from 105.5 to 87.6 - excluding special needs riders – see **Table 5-6**). According to AASA, an effective rider per bus ratio is 100:1, for a double-tiered/routed system, such as Lake LSD's. This figure, however, does not account for special needs ridership. In order to bring its regular riders per active bus ratio more in line with the peer average, the District could eliminate two buses from the active fleet.

According to ODE, buses should typically be replaced either after 250,000 miles or 15 years of service. **Table 5-7** illustrates a potential replacement schedule for Lake LSD, based on ODE criteria and the District's Spring, 2006 inventory of active buses.

Table 5-7: Proposed Lake LSD Active Bus Fleet Replacement Schedule

Local Bus No.	Current Age (in Years)	Current Mileage	Projected Replacement Year (Age)	Projected Replacement Year (Mileage)
Regular Needs				
3	8	128,100	FY 2012-13	FY 2017-18
5	9	117,654	FY 2011-12	N/A
6	3	37,889	FY 2017-18	N/A
8	9	95,931	FY 2011-12	N/A
9	7	75,658	FY 2013-14	N/A
10	3	42,987	FY 2017-18	N/A
11	7	75,713	FY 2013-14	N/A
12	6	61,749	FY 2014-15	N/A
14	8	91,450	FY 2012-13	N/A
15	5	48,996	FY 2015-16	N/A
16	6	87,240	FY 2014-15	N/A
20	8	87,789	FY 2012-13	N/A
21	< 1	747	N/A	N/A
23	9	91,830	FY 2011-12	N/A
24	3	53,820	FY 2017-18	N/A
27	5	52,160	FY 2015-16	N/A
28	3	38,757	FY 2017-18	N/A
Special Needs				
17	10	202,453	FY 2010-11	
26	14	319,196	Replace now	FY 2006-07

Source: Lake LSD
Note: On average, active Lake LSD buses travel 11,000 miles per year.
N/A: Bus will reach replacement criteria after FY 2017-18.

Table 5-7 indicates that Lake LSD maintains a relatively low mileage fleet. Of the active fleet, older, higher mileage buses are reserved for special needs riders, while the majority of Type I riders are transported on buses that will not need to be replaced until FY 2011-12 at the earliest. This practice helps to ensure that the majority of riders are transported on low mileage buses, contributing, in part, to lower maintenance/repair expenditures (see **Table 5-3**). Nonetheless, Lake LSD maintains two more active buses than it needs, especially considering recent declines in enrollment and accompanying drop in Type I ridership.

According to ODE, it costs approximately $60,000 to replace a bus. Moreover, according to the District's EMIS report for FY 2005-06, a regular bus driver earns approximately $13,200 in salary plus an additional $4,200 (31.8 percent) in fringe benefits. By maintaining a larger fleet than is necessary to accommodate current Type I ridership levels, Lake LSD incurs approximately $120,000 in projected replacement costs. Assuming this capital outlay cost and accompanying personnel costs (regular bus drivers) are included in the five-year forecast, the District may be projecting an inflated level of expenditures, which could negatively impact its overall financial outlook.

Financial Implication: Assuming Lake LSD reduces its fleet by two active buses, it will achieve a one-time cost avoidance of $120,000. Moreover, should the District reduce staffing levels by two regular bus drivers, it will achieve annual financial savings of approximately $34,800. Although two active buses could be eliminated, the overall fleet operating costs will likely remain relatively stable (e.g. costs for fuel and maintenance) as the smaller fleet will carry more students per bus over revised but longer routes.

Financial Implications Summary

The following table summarizes the estimated costs, annual cost savings, and one-time cost avoidance and cost avoidances identified in recommendations presented in this section of the report.

Summary of Financial Implications

Recommendation	Estimated Annual Cost	Estimated One-time Implementation Costs	Estimated Annual Cost Savings	One-time Cost Avoidances
R5.4 Install/insure on-site fuel storage tank	$1,000	$71,000		
R5.4 Obtain competitive pricing through local fuel suppliers			$12,000	
R5.5 Eliminate two active buses from the fleet				$120,000
R5.5 Reduce staffing levels by two regular drivers			$34,800	
Total	**S1,000**	**$71,000**	**$46,800**	**$120,000**

Source: AOS Recommendations

Appendix 5-A: Employee Survey Responses

AOS administered an employee survey to Lake LSD's approximately 188 employees to obtain feedback and perceptions concerning transportation issues. The survey was completed by 113 employees, 103 (91 percent) of whom completed the transportation section of the survey. The overall participation rate for the AOS survey was approximately 60 percent. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly Disagree. **Table 5-A1** illustrates the results.

Table 5-A1: Transportation Survey Responses

Survey Questions	Lake LSD Results
1) Effective communication of transportation policies and routes exist.	
1) Strongly Disagree	0%
2) Disagree	2%
3) Neutral/Not Sure	11%
4) Agree	**43%**
5) Strongly Agree	22%
No opinion	22%
2) Effective coordination of routes and special trips exist between departments.	
1) Strongly Disagree	0%
2) Disagree	6%
3) Neutral/Not Sure	11%
4) Agree	**38%**
5) Strongly Agree	20%
No Opinion	25%
3) The Transportation Department provides timely transportation of students to and from school.	
1) Strongly Disagree	0%
2) Disagree	2%
3) Neutral/Not Sure	8%
4) Agree	**47%**
5) Strongly Agree	31%
No Opinion	13%

Survey Questions	Lake LSD Results
4) The Transportation Department provides timely transportation to and from special events.	
1) Strongly Disagree	0%
2) Disagree	4%
3) Neutral/Not Sure	9%
4) Agree	**47%**
5) Strongly Agree	25%
No Opinion	16%
5) The Transportation Department is effective in addressing complaints.	
1) Strongly Disagree	0%
2) Disagree	4%
3) Neutral/Not Sure	10%
4) Agree	**39%**
5) Strongly Agree	20%
No Opinion	27%
6) Transportation routes are completed with regard to the safety of the children.	
1) Strongly Disagree	1%
2) Disagree	1%
3) Neutral/Not Sure	5%
4) Agree	**45%**
5) Strongly Agree	27%
No Opinion	21%
7) The attitude, courtesy, and work ethic of the Transportation Department are positive.	
1) Strongly Disagree	2%
2) Disagree	5%
3) Neutral/Not Sure	4%
4) Agree	**49%**
5) Strongly Agree	28%
No Opinion	13%
8) Overall, the quality of all transportation services provided is good.	
1) Strongly Disagree	0%
2) Disagree	2%
3) Neutral/Not Sure	5%
4) Agree	**50%**
5) Strongly Agree	29%
No Opinion	14%

Source: AOS survey of Lake LSD employees

Appendix 5-B: Summary of Objectives for Transportation

The following questions were used to evaluate the transportation function performance in Lake LSD:

- Do the District's transportation policy and procedures meet best-practices standards and ensure efficient and effective operations?

- Does the District have an adequate control system over reporting, physical security, and procurement?

- Are the District's total transportation financial indicators and processes similar to industry benchmarks (e.g., peer averages)?

- Is the District's fleet maintenance and management function efficient and effective?

- Is the transportation function staffed in an efficient and effective manner?

- Is the Type I (IA or II) transportation function efficient (yellow bus transportation)?

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Food Service

Background

This section focuses on the food service operation in the Lake Local School District (Lake LSD or District). **Appendix 6-A** provides a summary of the audit objectives for the **food service** section. The District's operations are evaluated against an eight peer district average[1] comprising districts that are classified in the same demographic category as Lake LSD (urban/suburban-high median income) by the Ohio Department of Education (ODE). In addition, these school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Recommended practices and standards from applicable sources including the National Food Service Management Institute (NFSMI) and the Government Finance Officer's Association (GFOA), were also used for comparison purposes.

Lake LSD contracts with a food service management company (FSMC) to manage and operate its food service operations. The Food Services Director (the Director) is a full time employee of the FSMC, and spends 20 percent of work time on administrative oversight of District food service operations. Other responsibilities include creating menus and ordering supplies. The Assistant Food Services Director, (also a full time FSMC employee), reports to the Director and supervises food service staff. Approximately 75 percent of the Assistant Director's time is spent overseeing preparation of meals at the Lake High School central kitchen, and the remaining time is spent assisting in serving meals. Meals are prepared for the entire District in the central kitchen. A head custodian delivers meals to the auxiliary kitchen at Walbridge Elementary School.

The food service operation is staffed by seven non-union FSMC personnel and eight District staff who are members of the classified bargaining unit. The staff includes seven kitchen assistants, three servers, four monitors and one driver. The total staff is seventeen employees which equate to 9.57 full-time equivalents (FTEs), working 56 labor hours per day.

The District uses web-based point-of-sale (POS) tracking software to track food service data. The software enables the District to track the number of meals sold by eligibility, compare production sheets to meals sold, and generate data for claim reimbursements.

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[1] The eight districts used for peer comparisons include Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Norton City School District (Summit County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County). Northmont City School District (Montgomery County) was omitted from the peers due to incomplete data, and Oak Hills Local School District (Hamilton County) was omitted due to questionable data.

Financial Condition

Food Service operations are organized within the District as an enterprise fund.[2] **Table 6-1** shows the Food Service Fund revenues and expenditures for FY 2003-04 through FY 2005-06.

Table 6-1: Lake LSD Food Service Fund FY 2004 through 2006

	FY 2004		FY 2005		FY 2006	
	Total	**% of Total**	**Total**	**% of Total**	**Total**	**% of Total**
Student Charges	$313,176	68.0	$30,741	66.0	$301,653	65.0
State Grants-in-Aid	$5,955	1.0	$6,518	1.0	$6,164	1.0
Federal Grants-in-Aid	$142,028	31.0	$147,811	32.0	$151,835	33.0
Earnings on Investments	$1	0	$86	0	$0	0
Non-Operating Miscellaneous Income	$2,000	0	$1,565	0	$1,804	0
Refund of Prior Years Expenditures	$0	0	$0	0	0	0
Total Revenue	**$463,161**	**100.0**	**$462,721**	**100.0**	**$461,456**	**100.0**
Salaries	$100,868	21.0	$107,108	23.0	$100,733	23.0
Retirement and Insurance	$48,765	.10.0	$52,623	11.0	$41,475	9.0
Purchased Services	$337,908	69.0	$306,658	66.0	$303,119	68.0
Supplies and Materials	$0	0	$0	0	$0	0
Capital Outlay	$0	0	$0	0	$567	0
Other Objects	$422	0	$434	0	$489	0
Refund of Prior Years Receipts	$0	0	$0	0	$0	0
Total Expenditures	**$487,963**	**100.0**	**$466,823**	**100.0**	**$446,384**	**100.0**
Revenues Over/ (Under) Expenses	**($24,800)**	**NA**	**($4,102)**	**NA**	**$15,073**	**NA**
Net transfers IN/ Advances in	$80,000	NA	$0	NA	$0	NA
Net Transfers OUT/ Advances out	$50,000[1]	NA	$0	NA	$0	NA
Beginning Fund Balance	**$4,240**	**NA**	**$9,438**	**NA**	**$5,336**	**NA**
Ending Fund Balance	**$9,438**	**NA**	**$5,336**	**NA**	**$20,409**	**NA**
Reserve for Encumbrances	**$6,000**	**NA**	**$381**	**NA**	**$10,000**	**NA**

Source: Lake LSD 4502 Statement E
[1] Represents an advance to the food service fund at the close of FY 2002-03 to cover reimbursements not yet received.

Table 6-1 indicates that Lake LSD's total revenues for FY 2003-04 through FY 2005-06 were stable with an annual decline of less than 1 percent per year. Total expenditures declined by approximately 4 percent per year. The Food Service Fund ended FY 2005-06 with a positive balance. Total revenues from operating income averaged about 66 percent over the three years, while revenues from non-operating income, such as grants-in-aid, averaged about 34 percent. Purchased services made up approximately 68 percent of total expenditures due to food service operations being outsourced to a FSMC over the three year time period. The balance of the total

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[2] An enterprise fund is operated in a manner similar to a private sector business by relying on charges for services to support the cost of operation.

expenditures consisted of salaries and benefits for classified District employees working in food service operations.

Operating Statistics

Table 6-2 compares revenues and expenditures per student and per meal in respective categories at Lake LSD to the peer average.

Table 6-2: Operating Statistics Comparison

	Lake LSD FY 2004-05	Lake LSD FY 2005-06	Peer Average FY 2004-05
Total Meal Equivalents Served	175,097	170,013	397,328
Total District Students	1,841	1,732	3,857
Revenues per Student			
Total Operating Revenue per Student	$166.62	$174.16	$191.74
Total Non-Operating Revenue per Student	$84.73	$92.27	$48.02
Total Revenue per Student	**$251.34**	**$266.43**	**$239.76**
Expenditures per Student			
Salaries	$58.18	$58.16	$86.78
Fringe Benefits	$28.58	$23.95	$37.54
Purchased Services	$166.57	$175.01	$14.95
Supplies and Materials	$0.00	$0.00	$90.80
Capital Outlay	$0.00	$0.33	$3.58
Other	$0.24	$0.28	$0.33
Total Expenditure per Student	**$253.57**	**$257.73**	**$233.98**
Total Gain or (Loss) per Student	**($2.23)**	**$8.70**	**$5.79**
Revenues per Meal Equivalent			
Total Operating Revenue	$1.75	$1.77	$1.86
Total Non-Operating Revenue	$0.89	$0.94	$0.47
Total Revenue per Meal	**$2.64**	**$2.71**	**$2.33**
Expenditures per Meal Equivalent			
Salaries	$0.61	$0.59	$0.84
Fringe Benefits	$0.30	$0.24	$0.36
Purchased Services	$1.75	$1.78	$0.15
Supplies and Materials	$0.00	$0.00	$0.88
Capital Outlay	$0.00	$0.00	$0.03
Other	$0.00	$0.00	$0.00
Total Expenditure per Meal	**$2.67**	**$2.63**	**$2.27**
Total Gain or (Loss) per Meal	**($0.02)**	**$0.09**	**$0.06**

Source: MR Reports, ODE

According to **Table 6-2**, the District experienced a total loss per student and per meal in FY 2004-05, while the peer average showed a total gain for these categories. In FY 2005-06, the District raised its prices for elementary and secondary student meals. Even though Lake LSD experienced a 2.9 percent decrease in total meal equivalents served, and a 4.3 percent decline in total District students, a gain in per student and per meal profitability was achieved. This allowed the District to eliminate General Fund transfers to the Food Service Fund for the year.

Recommendations

R6.1 Lake LSD should complete the privatization of its food service operations by negotiating with the classified bargaining unit to transfer the remaining food service classified positions to the FSMC. Complete privatization of food service operations would significantly reduce costs to the District. In addition, full privatization would reduce the current level of organizational complexity associated with partial privatization, thereby enabling management to streamline service delivery to students and District personnel. One option for full privatization would be to work with the bargaining unit to remove positions from the table of organization as existing food service employees retire or leave Lake LSD's employ.

In 1995, the District contracted with a food service management company (FSMC) to provide food service for the District due to a $110,000 Food Service Fund deficit. Under the original contract, operations were partially privatized with staffing split between FSMC employees and District employees. At the time, the District intended to fully privatize operations over time through attrition. However, when a District food service bargaining unit position becomes vacant, it is posted and filled in accordance with the classified bargaining unit agreement (see the **human resources** section for further discussion). If no bargaining unit employee bids on the position, it becomes a permanent FSMC position to fill. To achieve full privatization, eight bargaining unit positions, including seven food preparation/cashiers and one driver[3] (see **Table 6-1**), would need to be transferred to the FSMC.

During FY 2003-04, the District was experiencing a Food Service Fund deficit and requested the Director to submit a proposal containing cost reduction options to eliminate the deficit. One option presented was full privatization which represented an estimated overall savings to the District of $61,000. This net savings included a reduction in District-paid salaries and benefits and an increase in FSMC charges for costs associated with transferring current District food service employees to the FSMC payroll.

According to *Best Practices in Public Budgeting* (GFOA, 2000), governments should develop programs and services that are consistent with policies and long-term plans and should evaluate alternative service delivery mechanisms. Programs and services are the means by which an entity addresses priorities established through its policy-making and planning processes. An evaluation of delivery alternatives for services and programs helps ensure that the best approach is selected. Considerations in evaluating service delivery mechanisms, whether provided directly by the entity or contracted out, include the following:

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[3] The driver position is filled by a head custodian who spends two hours per day delivering food items from the central kitchen to another school location (see the **facilities section** for further discussion).

- 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 the ability to generate or sustain competition in service delivery;

- Financial issues, including the impact on outstanding debt and grant eligibility;

- Impact on stakeholders, including employees, customers, and taxpayers; and

- Statutory and regulatory issues, including the impact on federal and state legal and regulatory requirements, and liability.

Since vacant District-funded food service positions must be posted for bid by bargaining unit members before being transferred to the FSMC, Lake LSD will likely continue to fill vacancies with District employees[4] resulting in higher costs due to the negotiated salary and benefit levels for these positions. Similarly, it continues the complexity within the food service organizational structure.

Financial Implication: By completely privatizing the District's food service operations, Lake LSD could reduce annual net costs to the Food Service Fund by approximately $61,000.

R6.2 **The Board of Education should ensure that District administrators sufficiently and appropriately manage the FSMC contract so that all vendor and District responsibilities are fulfilled. In addition, the District should re-bid the entire program at the end of the current contract period and follow ODE's RFP procedures when seeking private sector management of its food service operations. When the next RFP is initiated, it should be performance-based and include a set of measurable performance standards that address quality, timeliness and outcomes to be achieved, as well as a description of how the FSMC's performance will be evaluated.**

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[4] District representatives noted that these positions are more desirable to part-time District employees as they generally are assigned a greater number of hours each day than other classified positions.

During the course of the audit, Lake LSD implemented additional contract management procedures to ensure it was adequately monitoring its food service management contract.

In the past three years, the District Treasurer has been replaced twice and the Superintendent once. The Food Services Director is a full-time FSMC employee and has directed the program since its inception. According to the Treasurer, the Director is treated like a District employee and the District has come to rely on the Director to perform some tasks in the FSMC agreement that should be performed by District administrators.[5] In addition, the Treasurer indicated that high workloads and time constraints prohibited greater involvement in contract administration. Although the Director indicated the District is now exercising responsibility for signature authority, claims reimbursement, financial accountability, equipment and building maintenance, and other items, overall contract monitoring has not been assigned within the District. However, the Director and Treasurer are meeting monthly to review the FSMC profit and loss statements.

A review of the FSMC agreement section 13-SFA (School Food Authority) also revealed that Lake LSD has not fulfilled its administrative and oversight functions in several areas of the agreement including the following:

- Ensuring that the food service operation is in compliance with the agreement;
- Monitoring the operation through periodic and unannounced on-site visits;
- Establishing an advisory board of parents, teachers and students to assist in menu planning;
- Maintaining required certifications and assuring all regulations are being met by the FSMC;
- Preparing a menu to be followed by the FSMC at the beginning of a contract period and them approving all menu changes thereafter;
- Establishing a minimum of three controls to ensure accuracy of lunch counts prior to submission of monthly claims for reimbursement; and
- Ensuring resolution of program review and audit findings.

In some instances, the Board has been directly involved in decision-making in food service operations. In FY 2004-05, the Board directed the FSMC to reduce costs by limiting menu items in certain buildings. These actions resulted in a drop in the District's participation rate.

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[5] For example, at the start of the performance audit the Director was submitting claims reimbursement forms to ODE using an electronic signature. This is a violation of contract paragraph 13.6-Signature Authority and ODE's FSMC checklist. When the District was advised of this, the Treasurer immediately assumed the responsibility for submitting claims reimbursement forms.

ODE regulations require districts to issue an RFP for food service operations every five years with no help from potential vendors. With the turnover in the Treasurer position in FY 2004-05, no one in Lake LSD was familiar with the RFP guidelines. The Director provided an RFP example from another state that the District used to prepare its RFP. Advertisements were placed in local newspapers and only one response (from the current FSMC) was received. As a result, a new five-year contract with annual renewals was approved by the Board. Each annual renewal is reviewed by ODE.

According to the *Colorado Statewide Contract Management Practices Performance Audit* (Deloitte and Touche LLP, 2005) effective contract monitoring occurs throughout the life of a contract and includes developing a clear scope of work, managing and documenting on-going day-to-day contract issues, monitoring the progress of the work performed by a service provider to ensure the quality of services provided, and ensuring value is received for the money spent.

The General Accounting Office (GAO)'s Office of Federal Procurement Policy (OFPP) states that performance-based contracts should include the following:

- A description of the requirements in terms of results required rather than the methods of performance of work.

- A set of measurable performance standards. Standards should be set in terms of quality, timeliness, and quantity among other things.

- A description of how the contractor's performance will be evaluated in a quality assurance plan focusing on quality, quantity and timeliness of the performance outputs to be delivered.

- Positive and negative incentives to induce better quality performance.

Because it does not have a performance-based contract that includes measurable standards, Lake LSD is not able to ensure that the FSMC performs at optimal levels. Similarly, it can not use data to improve the efficiency and effectiveness of operations to avoid adverse effects like the need for General Fund transfers. Also, because it has not assigned contract management responsibilities to a specific individual, Lake LSD cannot effectively carry out its responsibilities or monitor the FSMC. Finally, Board involvement in contract management diminishes the effectiveness of District management oversight and undermines the credibility and authority of District administrators in their relationship with the vendor. The direct involvement of the Board in FSMC contract management may have affected the Districts' participation rate.

If Lake LSD assigns contract management to a specific individual and adopts a more active contract monitoring process, it can better ensure increased accountability and awareness of its food service operations and maximize operational savings. Furthermore, establishing performance-based contracts would encourage the FMSC to set, and ultimately achieve, operational goals in an effort to heighten efficiency and effectiveness

R6.3   The District should update its financial procedures for program-related expenses to ensure that they are charged to the proper fund. This would reduce the possibility of using General Fund revenue to support enterprise funds, which should be self-sufficient. By charging all program-related costs to the Food Service Fund, the District will have a more accurate depiction of food service costs for use in its planning and budgeting processes.

Lake LSD does not charge program-related utility and refuse removal expenses to the Food Service Fund as these charges are not separated by function code. During the course of the performance audit, an analysis of the District's utilities indicated that the District could be charging about $24,000 annually for program-related utility expenses to the Food Service Fund. If this amount had actually been charged to the Food Service Fund in FY 2005-06, the Fund would have ended with a negative balance.

School Foodservice Management for the 21st Century (D. Pannell-Martin, 1999) recommends districts use their food service budget as a financial management plan. Using them in this manner, a manager/director can better forecast revenue and expenses based on prior year's data and estimated costs. The budget is an important management tool for the following reasons:

- Provides constant reminder of projections, throwing up red flags to identify potential problems (if estimated income is not being generated monthly, then expenditures may need to be reduced, or a deficit may result);
- Sets performance standards for management;
- Provides basis for comparison (monthly profit and loss can be compared to budget);
- Controls erratic expenditures; and
- Helps a manager determine if a program can afford to make an expenditure (e.g. purchase a piece of equipment or attend a national convention).

Along with the yearly budget, forecasting revenues and expenditures over a five year period is recommended for long-range planning. This provides management forewarning of upcoming financial shortfalls so that corrective action can be taken. With increases in labor costs, which occur annually in most school districts, and the rising cost of fringe benefits, lunch prices also need to be evaluated annually as an annual increase may be needed to cover increases in expenses.

In prior years, Lake LSD has not allocated food service related expenses to the Food Service Fund because of the small dollar amount. But, by allocating the program-related utility and trash removal expenses to the Food Service Fund, the District would have a better accounting of actual operational costs and could make better decisions to ensure that the Fund is self-sufficient. Finally, appropriate allocation of related expenditures would relieve pressure on the General Fund and allow District decision-makers to better understand the full cost of food service operations.

Financial Implication: If the District charged utility and trash removal expenditures to the Food Service Fund, it would increase annual food service expenditures by approximately $24,000 annually with a corresponding decrease in General Fund costs. This amount is based on a percentage of total building square footage attributable to cafeterias and kitchens.

Financial Implications Summary

The following table summarizes estimated annual cost savings. The financial implication is for the implementation of recommendations subject to negotiation.

Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R6.1 Complete privatization of food service operations	$61,000
Total	$61,000

Source: AOS recommendation

Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings
R6.3 Charge appropriate expenses to Food Service Fund	$24,000
Total	$24,000

Appendix 6-A: Summary of Objectives for Food Service

The following questions were used to evaluate the food service function performance within Lake LSD:

- Is the current financial status of the Districts food service operation positive?

- Does the District manage food service operations through a food service management company contract or is food service managed in-house? If contracted, does the District follow RFP procedures in compliance with all laws and regulations? Does the District appropriately monitor contractual agreements?

- Does the District have effective purchasing practices and are these practices sufficiently followed?

- Are the Districts food service information systems adequate and properly used?

- Does the District effectively monitor participation in free and reduced lunch programs?

Technology

Background

This section focuses on technology functions in the Lake Local School District (Lake LSD or the District). **Appendix 7-A** provides a summary of the audit objectives for the **technology** section. Comparisons are made to 10 peer districts[1] which have been selected based on demographic data obtained from the Ohio Department of Education (ODE) and to other industry benchmarks, such as the Florida Office of Program Analysis and Government Accountability (OPPAGA), E-Tech Ohio, International Society for Technology in Education (ISTE), National Center for Education Statistics (NCES), and the National School Boards Association (NSBA). In addition, the Auditor of State (AOS) administered a survey of Lake LSD's employees regarding technology services and those results have been used throughout this report.

Organization and Staffing

The District's Technology Coordinator retired at the end of FY 2005-06. In August 2006, the Board of Education (BOE) expanded the responsibilities of this position to include grant management responsibilities and hired a full-time person to fill the position. According to the Technology Coordinator/Grant Facilitator, time is allocated 40 percent (or 0.4 FTE) to technology and 60 percent (or 0.6 FTE) to grant activities.

The Technology Coordinator/Grant Facilitator job description indicates the technology job duties include the following:

- Assessing technology needs and securing materials and equipment;
- Coordinating hardware and software needs related to staff professional development programs;
- Seeking alternative funding for technology;
- Maintaining the District's data and video distribution networks and voice communications system;
- Installing hardware and software and providing assistance and technical advice/support to District personnel;

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[1] Peer districts include the following: Amherst Exempted Village School District (Lorain County), Canfield Local School District (Mahoning County), Jackson Local School District (Stark County), Lake Local School District (Stark County), Northmont City School District (Montgomery County), Norton City School District (Summit County), Oak Hills Local School District (Hamilton County), Perry Local School District (Stark County), Poland Local School District (Mahoning County), and Wadsworth City School District (Medina County).

- Performing preventive maintenance and repairs, and implementing technology-related procedures;
- Developing and maintaining an inventory of the District's hardware and software; and
- Maintaining and updating Lake LSD's webpage.

The Technology Coordinator/Grant Facilitator is also responsible for coordinating technology applications with instructional goals by working with District administrators and outside organizations, such as E-Tech Ohio and the Northwest Ohio Computer Association (NWOCA), which serves as the District's Information Technology Center (ITC). The Technology Coordinator/Grant Facilitator's additional responsibilities for grants management include seeking other grant opportunities as available and monitoring Elementary and Secondary Education Act (ESEA) funding.

Summary of Operations

Key components of District technology operations include planning and budgeting for hardware/software acquisition and maintenance, providing technical support, establishing related policies/procedures (e.g., acceptable use and disaster recovery), maintaining network architecture and security, communications (e.g., maintaining the District website), and assessing technology-related professional development needs.

The District relies heavily on NWOCA for many of its technology-related needs, including Internet service provision, network maintenance/support, and management applications, including the Uniform School Accounting System (USAS) and Uniform Staff Payroll System (USPS). With the exception of Millbury Elementary, which uses wireless connections, the District's network is connected by fiber lines through NWOCA and Lake High School.

Chart 7-1 illustrates Lake LSD's network.

Chart 7-1: Lake LSD Wide-Area Network
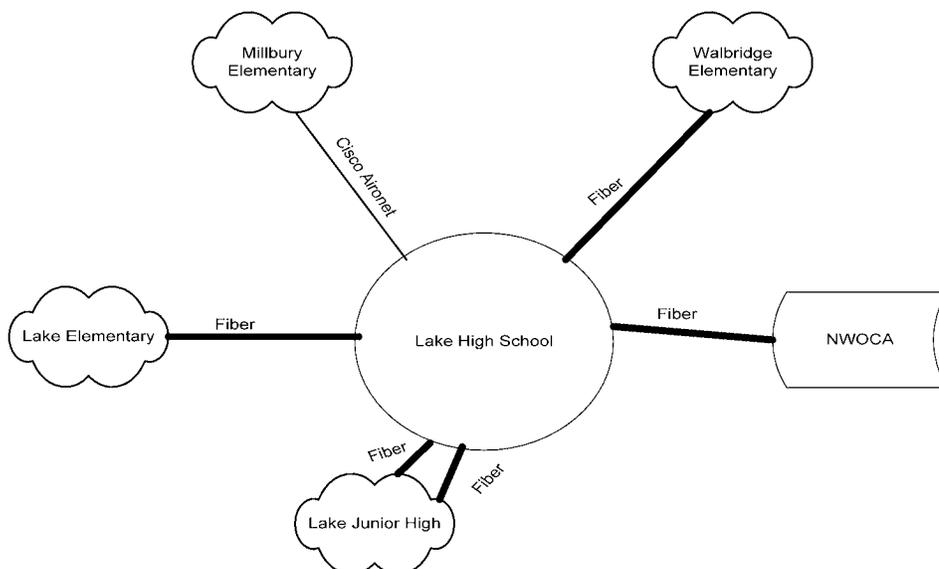
Source: Lake LSD
Note: Lake LSD also relies on two Apple G4 servers (not shown in **Chart 7-1**) for file-sharing and operating the District's Intranet.

The Lake LSD network has 1,666 users, including all students and all staff except food service workers, custodians, and bus drivers. The District's student-to-computer ratio is approximately 4.9-to-1 overall, which is commensurate with E-Tech Ohio's benchmark of 5-to-1. This is an indication that students have sufficient access to computers.

To maintain network security, the District uses a firewall, Internet filtering, and virus software. Lake LSD also operates a website which contains information regarding current events and press releases, a school calendar, a directory of phone numbers, and information on Board members and administrators. Furthermore, with the exception of some classified workers, District personnel are provided with e-mail accounts.

Financial Data

Table 7-1 details technology expenditures for Lake LSD over the past three years.

Table 7-1: Lake LSD Technology Expenditures

Expenditure Category	FY 2003-04	FY 2004-05	FY 2005-06	Three-Year Change
Technology Coordinator Salary/Benefits	$45,535	$46,305	$46,515	2.2%
NWOCA (A-Site) Service Contract	$49,000	$49,000	$49,000	0.0%
Hardware (Equipment & Upgrades)	$53,154	$44,390	$28,236	(46.9%)
Software Licenses [1]	$6,765	$8,837	$7,150	5.7%
GRAND TOTAL	**$154,454**	**$148,532**	**$130,901**	**(15.2%)**

Source: Lake LSD, NWOCA invoices
[1] Software licenses include an agreement with Microsoft for productivity software (i.e. MS Word), anti-virus software, and Apple Panther software for the operating system.

Technology expenditures decreased more than 15 percent in the past three fiscal years because of the District's financial condition and a reduction in its E-Tech Ohio SchoolNet grant of $14,700.[1] In FY 2005-06, NWOCA expenditures and the Technology Coordinator's compensation comprised the majority (73 percent) of all District technology expenditures.

NWOCA personnel assist in developing plans to retrofit existing equipment to communicate with area and worldwide networks, as well as to create an integrated network within each school building. NWOCA also provides professional development opportunities through training classes; and includes technical support links on its web-site. Although NWOCA-related expenditures comprise a significant percentage of Lake LSD's total technology budget, the District has not updated its service level agreement with NWOCA since 2004 (see **R7.4**).

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[1] This was a one-time funding source for hardware purchases. E-Tech Ohio SchoolNet provided funding in FY 2004-05 for purchases of multi-media computers and other related hardware and services.

Recommendations

Planning and Budgeting

R7.1 **Lake LSD should formally measure the total cost of ownership (TCO) of its technology-related purchases, expenses, and anticipated outlays, including explicit (e.g., cost of a new computer) and implicit (e.g., cost to train staff and maintain new computer) costs. Although the organization of USAS codes makes it more difficult to compile all technology budgeting and expenditure information to analyze data in aggregate, the Technology Coordinator/Grant Facilitator should work with the Treasurer's Office to obtain all technology expenditure information to measure TCO. Furthermore, the District should track technology expenditures through the Uniform School Accounting System (USAS) using a District-assigned special cost center.**

During the course of the audit, Lake LSD's Technology Coordinator/Grant Facilitator began using TCO to track the District's technology expenditures.

The District does not formally track its TCO for technology and as a result, technology budgeting and expenditure information can not be readily accessed or analyzed. More specifically, the District does not track all direct and indirect costs associated with operating, maintaining, and replacing technology, providing technical assistance, and offering accompanying professional development to staff. For example, Lake LSD's technology budget does not include the costs associated with NWOCA support, nor the Technology Coordinator/Grant Facilitator's compensation, which comprise the majority of technology-related expenditures (see **Table 7-1**). Rather, the budget contains an itemized list of assets, including hardware purchases and licensing fees, and ignores some costs such as professional development. This can be attributed, in part, to the fact that the District has not organized its USAS accounting categories to specifically track TCO for technology. While there is not a USAS function code for technology, the system can be used to track similar expenditures which do not have a dedicated code through the creation of a special cost center (SCC). According to the USAS Users Manual, a special cost center tracks receipts and expenditures associated with individual activities that are part of a multi-purpose program and are time or event dependent. The assignment of special cost centers is the responsibility of each district.

OPPAGA recommends school districts consider future support, operating, maintenance, and disposal costs (see **R7.9**) when acquiring technology. One method of conducting cost analyses for technology purchasing includes formally measuring and documenting TCO. The primary principal of TCO is that technology budgets should include up-front purchase costs as well as long-term maintenance, support, and training costs.

As illustrated in **Table 7-2**, the Consortium for School Networking (CoSN), another best practices group, provides a sample checklist for technology budgeting and highlights key TCO practices.

Table 7-2: Total Cost of Ownership Practices

	"TCO Savvy" District	"Doing the Best We Can"	"Worry About it Tomorrow"
Professional Development	15 to 30 percent of its budget to staff development.	Provides some staff training, but not at times that are convenient or when staff is ready to put the lessons to work (see **R7.14**).	Assumes that teachers and staff will learn on the job.
Support	Provides computer support at a ratio of at least one support person for every 50 to 70 computers or one person for every 500 computers in a closely managed network environment.	Relies on a patchwork of teachers, students, and overworked district staff to maintain network and fix problems. Does not track the amount of time the network is down or computers are not in use (see **R7.4**, **R7.5**, and **R7.6**).	Relies on the "hey Joe" sort of informal support.
Software	Recognizes the greater diversity of software packages, the more support will be required. Provisions are made for regular upgrading of software packages	Utilizes centralized software purchasing, but choice of application and respective support left to individual schools and staff members (see **R7.12**).	Expects support personnel to manage whatever software happens to be installed on a district computer.
Replacement Costs	Budgets to replace computers on a regular schedule, usually every 5 years, whether leased or purchased	Plans to replace computers when they no longer can be repaired (see **R7.3**).	Assumes that when computers are purchased with 20-year bonds that they will last forever.
Retrofitting	Considers technology improvements needed when schools are built or renovated.	Understands minimum and recommended requirements for electrical and other infrastructure improvements and incorporates then when finding is available.	Pulls the wires and then blows the fuses.
Connectivity and Integration of Equipment	Plans its network to provide connections that provide enough bandwidth to manage current and future needs, especially multimedia applications.	Has the bandwidth it needs today, but has no plan for scaling it upward as demand grows.	A phone and a modem, what more do you need?

Source: *Taking TCO to the Classroom: A School Administrators Guide to Planning for the Total Cost of New Technology* (Consortium for School Networking (CoSN), July 2001)

A "TCO Savvy" district refers to the best practice, while a "Doing the best we can" district refers to areas in need of improvement. A "Worry about it tomorrow" district does not have a clear understanding of technology budgeting and upkeep. For the most part, Lake LSD is a "Doing the best we can" district, which can largely be attributed to its recent financial condition. By not documenting the full measure of its TCO within the technology budget, the District cannot effectively budget for all explicit and implicit costs, which may negatively impact the District's technology planning process. A limited understanding of technology costs impacts the District's ability to plan for technology replacement (see **R7.3**) or incorporate goals and objectives that are linked to specific funding sources (see **R7.2**).

R7.2   **The Technology Coordinator/Grant Facilitator should develop goals and objectives associated with seeking and identifying additional technology grants. This includes working with administration officials and Board members to ensure grant-related goals and objectives are included in the technology plan, as well as in an up-to-date, District-wide strategic plan (see Financial Systems).**

In addition to E-Tech Ohio, other educational technology websites and publications should be reviewed to identify grant-seeking tips and funding opportunities from government, corporate, and non-profit organizations. Examples of technology websites include (*www.TechLearning.com*), (*www.ESchoolNews.com*), and (*www.ED.gov*). These will help the District identify additional funding sources that can be formally linked to technology initiatives.

According to the previous Technology Coordinator, seeking additional funding sources is not a priority within the District. Neither Lake LSD's technology plan nor its Comprehensive Continuous Improvement Plan contain goals and objectives related to technology grants. Moreover, the District's Comprehensive Continuous Improvement Plan and technology plan have not been updated since 2002 and 2004, respectively.

Table 7-3 presents external funding sources and amounts Lake LSD obtained between FYs 2003-04 through 2005-06 for technology.

Table 7-3: Lake LSD External Technology Funding Sources

External Funding Source	FY 2003 -04	FY 2004 -05	FY 2005 -06	Three-Year Change
Local Business Tax Abatement	$35,000	$35,000	$35,000	0.0%
E-Tech Ohio	$53,894	$66,541	$53,426	(0.9%)
• E-Rate	$33,661	$31,218	$35,005	4.0%
• K-12 Network	$12,000	$12,000	$12,000	0.0%
• Title II-D	$5,308	$5,698	$3,221	(39.3%)
• SchoolNet Plus	$0	$14,700	$0	0.0%
• Professional Development	$2,925	$2,925	$3,200	9.4%
Total	$88,894	$101,541	$88,426	(0.5%)

Source: Lake LSD

Lake LSD technology funding from external sources has not changed significantly over the past three fiscal years, with the majority of external funding coming from E-Tech Ohio. The District also receives funding from a local business tax abatement, which expires in 2011. The District does not receive technology grants from any other sources. By failing to seek grants from other external sources such as www.TechLearning.com, www.ESchoolNews.com, and www.ED.gov, the District may not be receiving all additional monies for which it is eligible, thereby increasing its reliance on the General Fund to pay for technology expenditures. Moreover, without up-to-date goals and objectives, the District cannot effectively link technology-related goals to potential funding sources, or monitor the success of the grant facilitator position.

R7.3 **Lake LSD should update its technology plan to include goals and objectives for replacing computers every three to five years. A technology replacement plan helps to ensure that students and staff have up-to-date hardware, and that older, higher-maintenance machines are replaced in a timely manner. While funds may not be available to replace all old computers at this time, the Technology Coordinator/Grant Facilitator should document computer replacement needs, link these needs to the District's technology plan, and formally communicate this to the administration and Board. This will help to ensure that equipment is sufficient to implement District initiatives, including the E-SIS project[2], networked printing (see R7.11), and professional development (see R7.14).**

During the course of the audit, Lake LSD updated its technology plan.

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[2] NWOCA is changing all their member districts' student information software to e-SIS (Student Information System) software. E-SIS will allow users to enter and track information for grades, attendance, disciplinary information, special needs information, and parent information. E-SIS is web-based, and stakeholders such as parents will be able to access the web to obtain information on their child's status and progress at the school.

According to E-Tech Ohio's 2006-2007 BETA survey, 12 percent of Lake LSD computers are considered "old," which significantly exceeds the peer average of 4 percent. According to the E-Tech Ohio BETA survey, "old" computers include pre-G3 (Macintosh) and pre-Pentium III (PC) models. These "old" computers are seven years old or older, and would not have the capability to run current educational software. Nonetheless, Lake LSD does not have a formal replacement plan or formal replacement cycle for computers. However, the District's technology plan recommends the creation of a replacement plan and calls for computers to be replaced on a five-year cycle. The District replaces computers on an *ad hoc* basis as funding becomes available.

The *Technology Support Index* (International Society for Technology in Education (ISTE), n.d.), recommends school districts replace equipment every three to five years. Similarly, CoSN suggests a five-year replacement cycle. If a replacement cycle is not established, equipment becomes obsolete, increasing technical support time and maintenance costs. Moreover, the previous Technology Coordinator indicated that unless older machines are replaced, the District may not be able to fully implement its initiatives, like the E-SIS project, which require current versions of operating systems and web-based software. Developing a formal plan to replace equipment is important to ensure that the District's hardware can run the most recent administrative and student software applications, network printing options, and web-based professional development options.

Financial Implication: If the District adopted a regular five-year replacement schedule and replaced 20 percent of its computers (62 computers) per year, the cost would be approximately $74,400 annually. This financial implication includes the base price for computer, memory upgrade, and warranty.

NWOCA and Technical Support

R7.4 Lake LSD should annually review and update its agreement with NWOCA and include language to monitor the effectiveness of outsourced support and other services. In addition, the District should include NWOCA-related costs in its technology budget (see R7.1). By updating and monitoring its agreement, the Technology Coordinator can more effectively ensure that outsourced services meet District needs. Likewise, by incorporating NWOCA-related costs into the District's technology budget, the Technology Coordinator can compare outsourced technical support costs with those provided in-house to determine the most cost effective way to provide needed services.

As a means of supplementing in-house technical support services, Lake LSD maintains a service agreement with NWOCA. NWOCA assists in maintaining the District's wide-area network (see **Chart 7-1**) and ensuring Internet connectivity. NWOCA assistance

also includes voice and video network support, as well as installation of anti-virus and security software. The District's most recent service agreement with NWOCA was signed in 2004, and contains template language from 1998, indicating that the agreement is not up-to-date and has not been reviewed for amendments or changes. Although outsourced technical support services have not changed significantly, the agreement does not include language for performance monitoring.

According to *Outsourcing Technical Support Help Desks Best Practices and Metrics* (Robert Frances Group, 1999)[3], technology-related service agreements contain the following elements:

- Performance measures that specify tools to be used to monitor and measure results and over what period of time, as well as the data to be used and how results will be calculated;

- Problem management and escalation procedures that describe what happens if contracted stipulations are not met (i.e., penalties); and

- Periodic review of service or a schedule of regular meetings to discuss contracted provisions and services being provided.

Outsourcing Technical Support Help Desks Best Practices also includes the following examples of performance measures to be included in technology service agreements:

- Average number of service requests per user/per month;
- Average amount of time required to resolve support issues;
- Percent of time in-house support staff spends on the phone with outsourced personnel;
- Percent of time in-house support staff spends at outsourced facility; and
- Percent of time support issues are resolved over the phone.

District employees are generally satisfied with technology assistance and support (see **Appendix 7-A**). However, without an updated service agreement that includes monitoring language and performance measures, Lake LSD cannot sufficiently document whether contract service goals and objectives are met and if services are provided efficiently (i.e., within reasonable response times). Moreover, by not incorporating outsourced costs into the technology budget (see **R7.1**), Lake LSD cannot sufficiently document that it has obtained services that are cost effective. It is important for the Technology Coordinator and District administration to actively review the NWOCA

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[3] The Robert Frances Group provides technology consulting services and research to companies and technology executives.

contract annually to determine if revision is warranted based on changes in contract performance or services.

R7.5 **The Technology Coordinator should formally document and track technical assistance and support issues such as maintenance and repair requests, computer and network downtime, time and costs associated with resolving issues, as well as incidents requiring NWOCA support (see R7.4). This will enable the Technology Coordinator to identify trouble spots, prioritize technical support issues, and allocate time and resources more efficiently. This will also help ensure documentation of technology standard operating procedures (SOPs), which can be used for cross-training purposes, so that service delivery will not be interrupted in the event of employee turnover (see R7.7).**

The District does not formally document and track technical assistance and support issues. The Technology Coordinator receives requests from users and responds to them based on professional judgment and previous experience. In an AOS survey of District employees (**Appendix 7-A**), 70 percent indicated requests for technical assistance are answered in a timely manner. With the recent hiring of a new Technology Coordinator, however, the District should monitor and document technology support to ensure timeliness in meeting technical assistance requests remains a high priority.

According to ISTE, all technical issues should be recorded and delegated to appropriate resources through an electronic trouble ticketing system (e.g., MS Excel spreadsheet). Technical issues should also be tracked and evaluated through this system. The evaluation should consist of an analysis of the type of repair/maintenance request, the amount of computer or network downtime, the time and costs associated with resolving the issues, and any incidents involving NWOCA support. The "electronic trouble ticketing system" does not have to be expensive, and could be based on a spreadsheet system.

While Lake LSD employees are generally satisfied with technical support assistance (see **Appendix 7-A**), the absence of a formal incident tracking system may inhibit the Technology Coordinator's ability to prioritize service requests and efficiently allocate support resources. This is especially important as the Technology Coordinator will not be able to address service requests on a full time basis due to the grant responsibilities now assigned to that position. Lake LSD's Technology Coordinator/Grant Facilitator could document and track technical assistance and support issues at a nominal cost by using a spreadsheet.

R7.6 **Lake LSD should consider implementing a program to train high school students to assist with technical support. These students could assist the Technology Coordinator with basic technology trouble-shooting and other minor support tasks.**

Because the Technology Coordinator is dedicating less than 50 percent of available time to technology-related responsibilities, the technical support services currently provided in-house are likely to be negatively impacted.. While the previous Technology Coordinator indicated that high school students have not been used as technical support staff, the new Technology Coordinator suggested that students could assist with minor tasks, such as installing printers. According to an AOS survey of Lake LSD employees, 67 percent indicated that they agree or strongly agree that technical assistance is easily accessible (see **Appendix 7-A**). However, only 32 percent of employees surveyed indicated that the number of technology personnel was adequate.

ISTE's *Technology Support Index* recommends that school districts design curricular programs to train students in technical support. Furthermore, according to *Are We There Yet* (National School Board Foundation (NSBF, 2006), more than half of school leaders report using students for technical support in their districts. Key student responsibilities include trouble-shooting, equipment set-up, and maintenance. According to E-Tech Ohio's 2006-2007 BETA survey, 12 percent of Lake LSD respondents indicated a student provided support, compared to the peer average of 21 percent and State average of 19 percent. According to a *Guide to Student Technology Intern Programs K-12 Schools* (Ohio Schoolnet, 2004), Ohio Schoolnet implemented the All Students System Interns Supporting Technology (ASSIST) program in 2001 to support Ohio school districts using student support models. Approximately 30 Ohio school districts participated in the initial program.

Training students in technical support functions represents a win-win for the District. First, such a program would help to prepare students for careers in technology and educate them in technology support and deployment. Second, this would allow Lake LSD to employ low-cost resources to address technology support needs, which is especially important, given the Technology Coordinator's time allocation. Finally, such a program creates an opportunity for the District and students to work together to facilitate technology use and provide support.

Policies and Procedures

R7.7 **The Technology Coordinator should develop formal and comprehensive SOPs that describe, in detail, those critical activities that in-house and outsourced technical support personnel perform on a day-to-day basis. Formal and comprehensive SOPs will better enable Lake LSD to describe its technology function to both internal and external stakeholders. More importantly, because the District's technology function has changed recently with employee turnover, formal and comprehensive SOPs will help to prioritize technical support issues, facilitate cross-training, and ensure continued service delivery in the absence of employees with extensive institutional knowledge.**

Neither the previous nor current Technology Coordinator has documented critical technical support activities (e.g., technology planning, network support, disaster recovery, etc.) performed in-house or by NWOCA personnel, nor has the District prioritized its technical support activities through comprehensive and formal SOPs.

According to *Documentation of Accounting Policies and Procedures* (Government Finance Officers Association (GFOA), 2002), government agencies should document critical activities through formal policies and procedures. Such documentation should be readily available to all employees who need it and should delineate the authority and responsibility of all employees. A well-designed and properly maintained system of documentation (i.e., SOPs) enhances both accountability and consistency, and can serve as a useful training tool for staff. Reflecting this best practice, Lake LSD's Treasurer's Office has developed a formal policy and procedures handbook that describes its responsibilities in detail. Furthermore, the Treasurer has made this document available to Board members and employees as a means of clarifying roles and responsibilities.

Without formal technology SOPs, Lake LSD cannot effectively communicate its processes to internal and external stakeholders, prioritize technical support activities, or cross-train staff to provide key services in the event of turnover. As a result, Lake LSD cannot ensure operational continuity in the absence of personnel with extensive institutional knowledge of technology operations.

R7.8 **The Board should update its policy regarding the acceptance of public gifts to include donated computer equipment and incorporate specifics such as brands and models of computers, other hardware, and software the District will accept. The Technology Coordinator should post this updated policy online to encourage increased donations of equipment/software that is fully-compatible with District needs.**

While the Board has a formal policy regarding the acceptance of gifts from the public, it does not include specific, technology-related criteria for hardware and software donations. ISTE recommends that donated equipment be accepted only if it meets specific brand, model, performance, and system requirements. ISTE further recommends that school districts only accept donations of equipment that is less than two years old.

Accepting equipment donations is a valuable tool for school districts with limited funding. Therefore, it is essential to ensure that donated materials meet student and teacher needs and do not result in additional and unnecessary disposal costs to the District. A donation policy without specific, technology-related criteria may result in the acceptance of hardware/software that is incompatible with needs.

R7.9   The Board should develop and formally adopt a policy regarding computer equipment disposal, including provisions for recycling and security (e.g., erasing personal data and destroying hard drives). By adopting a formal computer equipment disposal policy in conjunction with a five-year replacement plan (see R7.3), the District can more effectively replace obsolete equipment in a responsible and secure manner.

The District does not have a formal policy for computer equipment disposal. In fact, the Technology Coordinator indicates that hardly any equipment has been disposed of in recent years, and those were just thrown away, rather than being recycled. Moreover, there is no indication as to whether hard drives were destroyed and personal information removed before the equipment left District custody.

Lebanon City School District (Warren County) has adopted a formal equipment disposal policy that includes the following guidelines:

- No computer equipment may be sold to any individual other than through processes identified in district policy;
- No computer equipment should be disposed of via skips, dumps, landfills, etc.;
- Personal data must be removed and hard drives should be removed and destroyed; and
- With the exception of the original operating system all software should be removed to comply with licenses and any applicable copyright laws.

According to the Ohio Environmental Protection Agency's *Guide to Computer and Electronics Waste Reduction and Recycling* (August, 2005), an entire computer can be recycled. From the glass in the monitor, to the plastic in the case, to the copper in the power supply, to the precious metals used in the circuitry. Companies are making new innovative products out of old computers. Many computers can be revitalized and sold to schools in economically challenged urban and rural areas. Some vocational schools use old computers to teach electronic repair and analysis techniques. Non-functioning computers may also have salvageable components such as modems or power supplies that could be used to refurbish other computers. OEPA also provides a list of computer and electronic component recyclers in Ohio that the District should consider contacting when disposing of its equipment. The previous Technology Coordinator switched out hard drives and other parts before computers were thrown away.

It should be noted that 12 percent of Lake LSD computers are considered old – seven years old or older (see **R7.3**) -- significantly exceeding the peer average. The absence of both a formal replacement plan and computer equipment disposal policy compounds this problem. Finally, without a formal equipment disposal policy, Lake LSD cannot ensure

that its disposal practices are environmentally sound, nor can it ensure it is protecting vulnerable personal data against improper use.

Security

R7.10 The Technology Coordinator/Grant Facilitator, in collaboration with NWOCA, should develop a formal disaster recovery plan that incorporates the best practices outlined by the National Center for Education Statistics (NCES). Developing a disaster recovery plan prepares a school district for recovery from a breach in security, a natural disaster (e.g., fire, flood, etc.), or other catastrophic event. Once developed, the plan should be reviewed and updated at least annually.

Lake LSD does not have a formal disaster recovery plan. Although the District relies on NWOCA to back-up and store electronic data, formal procedures have not been developed that identify key contact personnel and clearly defined actions to be taken in the event of a disaster. According to the District's contract, NWOCA will safeguard the District's file data placed in computer storage units to the same extent it safeguards its own. To provide protection against the loss of District files, NWOCA normally backs up a current on-line file for a reasonable period.

The previous Technology Coordinator also provided a document that shows various technology coordinator job tasks, including passwords, where files are located, and NWOCA contact information. However, this document did not contain all elements of a formal disaster recovery plan, such as development of an exhaustive list of critical activities performed within the District and provisions to test the plan.

According to NCES, school districts should establish disaster recovery plans to safeguard data. Specifically, districts should convene a team to develop disaster recovery procedures and test them regularly. **Table 7-4** summarizes NCES guidelines for disaster recovery planning.

Table 7-4: NCES Disaster Recovery Guidelines

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 key list of 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: National Center for Education Statistics

Without a formal disaster recovery plan that incorporates NCES guidelines, Lake LSD will not be in a position to effectively coordinate responses and minimize loss in the event of a catastrophe.

Hardware and Software

R7.11 The District should migrate from a reliance on individual inkjet printers to networked laser printers. It should also stop supporting the majority of inkjet printers, which would save support time and costs. The Technology Coordinator should also evaluate the use of multi-functional devices (e.g., print, copy, fax, e-mail, etc.) to determine if the benefits of increased efficiencies outweigh replacement costs. Although the District's current financial situation (see Financial Systems) may limit equipment purchases in the short-term, it should formalize its long-term hardware needs and initiatives in an updated technology plan (see R7.3).

According to E-Tech Ohio's 2006-2007 BETA survey, 76 percent of Lake LSD printers are inkjet and 26 percent are laser. The State average, on the other hand, indicates that laser printers typically comprise a higher percentage (approximately 40 percent). Although a goal of the Technology Coordinator/Grant Facilitator is to increase the use of laser printers District-Wide, the goal has not been formalized in the District's current technology plan. The Technology Coordinator/Grant Facilitator indicated two companies are performing a print audit of the District to determine the current cost per page and present a plan to eliminate the high cost, low yield printers and move toward shared printers that provide much higher yields at lower cost. The first company's print audit was completed in mid-February, and results were based on conservative estimates of printer usage. For the second print audit, the District is considering installing software that would track actual printer usage to achieve more accurate and complete results.

According to industry averages, inkjet printers typically cost $0.17 per page compared to $0.11 per page for laser printers. While inkjet printers may have a lower up-front cost compared to laser printers, costs increase over time due to the high cost of purchasing ink refills. An option to consider is multi-function devices which combine printing, scanning, copying, faxing, and e-mailing capabilities. Lake LSD indicates that it does not use multi-functional devices, though industry averages suggest a per page cost of only $0.08.

Without an updated technology plan (see **R7.3**), the District cannot effectively communicate hardware needs such as replacing inkjet printers with laser printers to internal and external stakeholders. More importantly, the Technology Coordinator cannot link the costs of short and long-term initiatives to formal goals and objectives, which may make it more difficult to obtain the necessary resources. Although there is a significant initial replacement cost, migrating to network laser printers would help the District reduce the number of printers requiring replacement because there would not be printer in each classroom. Likewise, this process would reduce support time and costs by eliminating the need to support individual inkjet printers.

Financial Implication: On average, a network laser printer costs approximately $500. If the District replaced approximately 20 percent of its 65 ink-jet printers annually, it would cost the District $6,500. Based on the lower TCO per printer for laser printers, the District would offset $800 of this cost annually; reducing the overall costs of purchasing 13 laser printers to $5,700.

R7.12 In conjunction with the development of SOPs (see R7.7), and in collaboration with the Curriculum Director, the Technology Coordinator should establish a formal, centralized process for evaluating and purchasing administrative and instructional software. This process should include an inventory of standardized or uniform software to minimize duplicative purchases and ensure selected software is compatible both with the District's needs and available hardware.

Approximately 39 percent of District employees generally agree that administrative software meets their needs, and approximately the same percentage agree that instructional software packages meet their needs (see **Appendix 7-A**). Nonetheless, Lake LSD does not have a formal process for evaluating and selecting software packages. Rather, this process is decentralized and approvals for instructional software purchases, for example, are typically made at the building level. According to the District's acting Curriculum Director, the Technology Coordinator/Grant Facilitator works with the school buildings to coordinate technology purchases. However, the process for evaluating and purchasing administrative and instructional software is not formally documented. In addition, the District's accounting system tracks fixed assets but is not organized to track technology software and inventory (see **R7.1**).

According *Seven Cost-cutting Strategies for the IT Funding Crunch* (E-School News, February 2005), districts that standardize computer systems can save money and resources by cutting down on technical support and training costs. When everyone is working with the same software, user productivity increases and training becomes easier. NCES further suggests that developing an inventory of installed and permitted software and applications is a natural requirement for school districts. If such an inventory system is properly maintained and can produce useful reports, responding to many questions can be straightforward.

The absence of a formal, centralized process for evaluating and purchasing software packages increases the risk that District personnel will purchase software that is incompatible with District hardware or does not meet established instructional guidelines. A formal process will help to improve communication between the Technology Coordinator and users, while ensuring that software purchases meet District needs.

Professional Development

R7.13 Lake LSD should update its Technology Coordinator/Grant Facilitator job description to include educational requirements, skill qualifications, and certifications needed for the job. By updating the job description to include additional hiring requirements, Lake LSD can more effectively minimize the negative effects of turnover (e.g., loss of institutional knowledge) and ensure uninterrupted service delivery. The District should also update the job description to be more representative of the staff time being allocated to this function.

Lake LSD's Technology Coordinator/Grant Facilitator job description does not contain educational requirements (e.g., high school diploma, bachelor's degree, etc.) nor does it list the skills necessary to complete job functions (e.g., certifications). Rather, it contains an itemized list of duties and responsibilities, as well as potentially adverse working conditions (e.g., working with unruly children, exposure to blood and bodily fluids, etc.). Finally, although the Technology Coordinator/Grant Facilitator indicates that grant-related responsibilities will account for 60 percent of her time, the job description only briefly describes those responsibilities and is more focused on technology aspects. Before being hired by Lake LSD, the Technology Coordinator/Grant Facilitator was the assistant technology coordinator at another school district. There, job responsibilities entailed basic network support and administration; adult education classes; maintenance of the district's web-site; repair of equipment; technology planning and purchasing; professional development of staff; design and support of databases; and other duties as assigned.

The U.S. Department of Labor, Bureau of Labor Statistics has identified the following common hiring qualifications and job tasks for technical employees:

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.

While the U.S. Department of Labor common hiring qualifications and job tasks focus on technical employees, Lake LSD also would also have to establish a separate set of desired qualifications for the grant facilitator responsibilities.

By not formally listing the necessary educational requirements, qualifications, and certifications required on the job description, the District cannot effectively minimize the risk that it is hiring unqualified personnel. While this does not appear to be a concern at present, Lake LSD increases the risk that future turnover may negatively impact technology operations and service delivery to users.

R7.14 **Lake LSD should develop professional development options for its administrative and educational employees. The Technology Coordinator should also include professional development goals and objectives in an updated technology plan (see R7.3). In addition to NWOCA-sponsored trainings, Lake LSD's professional development program should also consist of online technology classes and links to technology training resources and materials. Using online training options would expand technology training opportunities, increase staff capacity, and reduce the number of low-level support issues requiring intervention.**

As stipulated in its technology plan, Lake LSD relies on NWOCA, WGTE educational television, Ohio SchoolNet, ONEnet, and the federal School and Libraries E-Rate program for expertise, resources, staff development, and financial support. Nonetheless, Lake LSD does not have a comprehensive technology-related professional development program for administrative and educational employees. As illustrated in **Appendix 7-A**, 55 percent of District employees either agree, or strongly agree, that additional training is needed. Only 32 percent of employees surveyed either agreed, or strongly agreed, that they knew all major software functions in their departments. On the financial side, **Table 7-3** illustrates that professional development funds comprised only $3,200 (3.6 percent) of total technology grants received in FY 2005-06.

According to the Curriculum Director, Lake LSD is establishing a professional development program for FY 2006-07 that includes a technology training component. This initiative, however, has not been included in the District's technology plan, nor has it been linked to professional development goals and objectives. According to the Superintendent, this training program commenced in February, 2007, when a select group

of teachers attended the E-Tech Ohio Educational Technology Conference. The District plans to use information obtained at the conference to design its professional development program.

The previous Technology Coordinator indicated that NWOCA has provided training for District staff on standard office application software. Examples of free NWOCA-sponsored trainings for school district personnel are published online and include the following:

- Basic Internet for Teachers;
- NWOCA Webmail;
- Web Resources for Teachers/InfoOhio;
- Microsoft Word Basics;
- Data for Student Learning;
- Microsoft Excel and PowerPoint;
- Movie Maker;
- Photoshop;
- Smartboard; and
- United Streaming Video Introduction.

ISTE's *Technology Support Index* recommends online training as an option to expand training opportunities, increase staff capacity, and reduce low-level support issues. ISTE also recommends very basic trouble-shooting skills be built into the professional development program, which would decrease the number of low-level technical support calls. E-School News provides a list of online professional development courses on its website (see *www.eschoolnews.com/erc/professionaldevelopment*) that the District could consider.

Without additional professional development options, Lake LSD employees will remain relatively unsatisfied with available training opportunities. This may create more work for the part-time Technology Coordinator, especially in the absence of student technical support (see **R7.6**), as computer users may be unable to trouble-shoot their own problems. In the absence of a professional development program, technical support issues will be further affected by a five-year replacement plan for computers (see **R7.3**); resulting in personnel being required to learn new equipment.

Financial Implication Summary

The following table represents a summary of the annual and one-time implementation costs and annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications for Technology

	Annual Cost Savings	One-time Implementation Costs	Annual Implementation Costs
R7.3 Replace outdated computers			$74,400
R7.11 Replaced ink-jet printers	$800	$6,500 [1]	
Subtotal	**$800**	**$6,500**	**$74,400**

[1] Assumes replacement costs occur after five years and, therefore, no additional costs are included in the forecast. The District would need to include replacement costs for multi-function machines in its technology plan and future five-year forecasts.

Appendix 7-A: Lake LSD Employee Survey Responses

AOS administered a survey to Lake LSD's approximately 188 employees to obtain feedback and perceptions concerning technology issues. The survey was completed by 113 employees, 103 (91 percent) of which completed the technology section of the survey. The overall participation rate for the AOS survey was approximately 60 percent. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly Disagree. **Table 7-A1** illustrates the results.

Table 7-A1: Technology Survey Responses

Survey Questions	Lake LSD Responses
Administrative Software	
1.) Users know all major software functions in their departments	
• Strongly Agree	5%
• Agree	**25%**
• Neutral/No Opinion	23%
• Disagree	14%
• Strongly Disagree	2%
• N/A	32%
2.) Software meets user needs	
• Strongly Agree	3%
• Agree	**36%**
• Neutral/No Opinion	22%
• Disagree	8%
• Strongly Disagree	1%
• N/A	30%
3.) Software is used effectively and efficiently	
• Strongly Agree	4%
• Agree	**34%**
• Neutral/No Opinion	27%
• Disagree	5%
• Strongly Disagree	1%
• N/A	30%
4.) Users get help when needed	
• Strongly Agree	16%
• Agree	**31%**
• Neutral/No Opinion	21%
• Disagree	2%
• Strongly Disagree	1%
• N/A	29%
Instructional Software	
5.) Users know all major software functions in their departments	
• Strongly Agree	4%
• Agree	**26%**
• Neutral/No Opinion	23%
• Disagree	24%
• Strongly Disagree	4%
• N/A	20%

Survey Questions	Lake LSD Responses
6.) **Software meets user needs**	
• Strongly Agree	2%
• Agree	**37%**
• Neutral/No Opinion	25%
• Disagree	15%
• Strongly Disagree	3%
• N/A	19%
7.) **Software is used effectively & efficiently**	
• Strongly Agree	4%
• Agree	**37%**
• Neutral/No Opinion	26%
• Disagree	13%
• Strongly Disagree	2%
• N/A	19%
8.) **Users get help when needed**	
• Strongly Agree	16%
• Agree	**35%**
• Neutral/No Opinion	25%
• Disagree	5%
• Strongly Disagree	2%
• N/A	18%
All Users – Software Training	
9.) **Administrative/office software training meets user needs**	
• Strongly Agree	4%
• Agree	**30%**
• Neutral/No Opinion	27%
• Disagree	9%
• Strongly Disagree	2%
• N/A	28%
10.) **Instructional/classroom software training meets user needs**	
• Strongly Agree	2%
• Agree	**30%**
• Neutral/No Opinion	26%
• Disagree	16%
• Strongly Disagree	4%
• N/A	22%
11.) **Training facilities meet user needs**	
• Strongly Agree	2%
• Agree	22%
• Neutral/No Opinion	**35%**
• Disagree	14%
• Strongly Disagree	4%
• N/A	23%
12.) **Training programs are useful**	
• Strongly Agree	6%
• Agree	28%
• Neutral/No Opinion	**29%**
• Disagree	11%
• Strongly Disagree	2%
• N/A	24%

Survey Questions	Lake LSD Responses
13.) Users feel more training is needed	
• Strongly Agree	20%
• Agree	**35%**
• Neutral/No Opinion	22%
• Disagree	5%
• Strongly Disagree	0%
• N/A	18%
General Computer Operation/Data	
14.) Computer systems are reliable	
• Strongly Agree	13%
• Agree	**42%**
• Neutral/No Opinion	30%
• Disagree	13%
• Strongly Disagree	3%
15.) Speed of data processing is satisfactory	
• Strongly Agree	13%
• Agree	**50%**
• Neutral/No Opinion	24%
• Disagree	10%
• Strongly Disagree	4%
16.) Access to printer is adequate	
• Strongly Agree	17%
• Agree	**55%**
• Neutral/No Opinion	17%
• Disagree	8%
• Strongly Disagree	3%
17.) Systems contain compete and accurate data	
• Strongly Agree	12%
• Agree	**51%**
• Neutral/No Opinion	33%
• Disagree	4%
• Strongly Disagree	1%
18.) Data from computer systems is useful for decision-making or monitoring	
• Strongly Agree	12%
• Agree	**48%**
• Neutral/No Opinion	36%
• Disagree	5%
• Strongly Disagree	0%
Technical Assistance	
19.) Technical assistance is easily accessible	
• Strongly Agree	12%
• Agree	**55%**
• Neutral/No Opinion	23%
• Disagree	8%
• Strongly Disagree	3%
20.) Requests for assistance are answered in a timely manner	
• Strongly Agree	17%
• Agree	**53%**
• Neutral/No Opinion	25%
• Disagree	5%
• Strongly Disagree	1%

Survey Questions	Lake LSD Responses
21.) Computer repair services are easily accessible	
• Strongly Agree	9%
• Agree	38%
• Neutral/No Opinion	**40%**
• Disagree	12%
• Strongly Disagree	1%
22.) Computer repair requests are answered in a timely manner	
• Strongly Agree	12%
• Agree	**45%**
• Neutral/No Opinion	38%
• Disagree	5%
• Strongly Disagree	1%
23.) Technology staff is able to resolve hardware problems	
• Strongly Agree	11%
• Agree	**48%**
• Neutral/No Opinion	38%
• Disagree	3%
• Strongly Disagree	0%
24.) Number of technology personnel is adequate to provide support	
• Strongly Agree	1%
• Agree	31%
• Neutral/No Opinion	**37%**
• Disagree	26%
• Strongly Disagree	5%
25.) I am satisfied with technical assistance provided by the District	
• Strongly Agree	8%
• Agree	**45%**
• Neutral/No Opinion	34%
• Disagree	12%
• Strongly Disagree	2%
26.) Electronic mail is widely used	
• Strongly Agree	**55%**
• Agree	36%
• Neutral/No Opinion	9%
• Disagree	0%
• Strongly Disagree	0%
27.) Internet is used to access information	
• Strongly Agree	**50%**
• Agree	38%
• Neutral/No Opinion	11%
• Disagree	1%
• Strongly Disagree	0%

Source: AOS survey of Lake LSD employees

Appendix 7-B: Summary of Objectives for Technology

The following questions were used to evaluate the performance of the technology function within Lake LSD:

- Is the District effectively planning and budgeting for its technology implementation?

- Does the District use technology to improve communication?

- Is technology support staff effectively and efficiently deployed?

- Is the District's technology infrastructure efficiently and effectively deployed?

- Is District hardware effectively and efficiently deployed?

- Is the District effectively and efficiently deploying software?

- Does the District adequately plan and budget for technology professional development for users?

- Does the District have effective network and physical asset security?

- Does the District have policies and procedures in place to ensure cost-effective resolution of technology issues?

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DISTRICT RESPONSE

District Response

The letter that follows is Lake LSD's official response 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 Lake LSD administrators or officials disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

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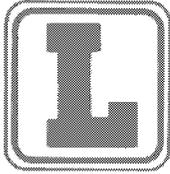
LAKE LOCAL SCHOOLS

Jim Witt
SUPERINTENDENT

Jeff Carpenter
TREASURER

ADMINISTRATIVE OFFICES
28025 Main Street, P.O. Box 151
Millbury, Ohio 43447-0151
Phone: 419-836-2552   Fax: 419-836-1755

August 13, 2007

Mr. Fred Bartz
615 West Superior Avenue
12th Floor
Cleveland, Ohio 44113

Dear Mr. Bartz:

On behalf of the Administration and the Board of Education of the Lake Local School District, I
would like to thank you and your team for the time and effort that you put into the performance
audit that you conducted over the course of the last year.

We have reviewed the report and would like you to know that we have implemented or are in the
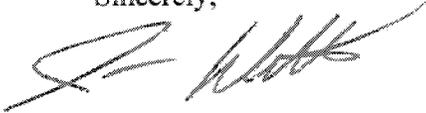process of implementing the items list below:
    a. Developed operating procedures for the review of our five-year forecast.
    b. Increasing the level of supervisory oversight of custodial personnel.
    c. Developed a bus replacement plan.
    d. Increased monitoring of our food services contract.
    e. Updating our technology plan.
    f. Measuring the total cost of technology-related purchases.

Other observations included in this report:
    a. The Lake Local School District spends less per pupil ($6721) than the average of
       its "peer districts ($7911).
    b. The district maintained a balanced budget, through cost cutting measures, without
       additional revenue from 1999-2006.
    c. The district effectively manages bus fleet repair and maintenance.
    d. The Lake Local School District spends approximately 9% less than peer districts
       on transportation.
    e. The Lake Local School District has eliminated the need to transfer money from
       the general fund to the food service fund due to reduced costs and increased
       revenue.
    f. The Lake Local School District needs to continue to move forward in the area of
       technology. Currently, the district is behind in many key components.

Your team has given us much information to look at as we continue to work diligently to contain costs while at the same time, provide our students with an education that will allow them to be successful in a global economy. We are working hard at improving our academic performance and we also are aware that certain tools are needed, from a financial standpoint, to enhance the academic achievement of our students. Thank you again for your analysis. We will use it as a guide as we continue to analyze our organization.

Sincerely,

Jim Witt
Superintendent