



Mary Taylor, CPA
Auditor of State

ROLLING HILLS
LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

FEBRUARY 7, 2008



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Auditor of State

To the Residents and Board of Education of the Rolling Hills Local School District:

The Ohio Department of Education (ODE) placed Rolling Hills Local School District (Rolling Hills LSD) in fiscal caution on March 24, 2006 due to anticipated deficits. Based on its financial position going into FY 2006-07, Rolling Hills LSD was selected to receive a comprehensive performance audit pursuant to ORC §3316.031 and ORC §3316.042. The functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, food service and technology. These areas were selected because they are important components of District operations that support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions that brought about the declaration of fiscal caution.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Rolling Hills LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution designation; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study, assessments not yielding recommendations, and financial implications. This report has been provided to Rolling Hills LSD, and its contents discussed with the appropriate officials and District administrators. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 7, 2008

Executive Summary

Project History

Ohio Revised Code § 3316.042 permits the Auditor of State (AOS) to conduct a performance audit of any school district in a state of fiscal caution, watch, or emergency and review any programs or areas of operations in which it believes greater operational efficiency, effectiveness, and accountability can be achieved. The Ohio Department of Education (ODE) placed Rolling Hills Local School District (Rolling Hills LSD or RHLSD) in fiscal caution on March 24, 2006. Based on its financial position going into FY 2006-07, Rolling Hills LSD was selected to receive a comprehensive performance audit.

Based on AOS research and discussions with Rolling Hills LSD officials, the following areas were assessed in the performance audit:

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

District Overview

Rolling Hills LSD operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. The District is located in Guernsey County. In FY 2004-05, the District's per pupil expenditures equaled \$7,289. Rolling Hills LSD met 7 of the 23 performance standards outlined in the District report card issued by ODE for FY 2004-05, which resulted in a continuous improvement designation. In FY 2005-06, Rolling Hills LSD received approximately 54.8 percent of its revenues from the State, 34.1 percent from local property taxes, and 11.1 percent from federal grants and expended \$7,406 per pupil. Additionally, the District met 11 of the 25 report card standards, resulting in a continuous improvement designation.

In FY 2004-05, the District received \$1,313 less in total General Fund revenue per pupil when compared to the peer average. This is largely due to the District's local revenues per pupil being \$983 lower than the peer average. Additionally, the District spent \$984 less per pupil in the General Fund than the peer average.

During FY 2005-06, Rolling Hills LSD operated six school buildings, including one high school, one middle school, three elementary schools, and one building leased to private organizations. The District had a total of approximately 250.56 full-time equivalent (FTE) employees comprising 12.70 administrative FTEs, 136.58 professional education FTEs, 1.00 professional FTE, and 100.28 classified and other support staff FTEs. These employees were responsible for providing educational services to an average daily membership (ADM) of 1,976 students. Students with physical and learning disabilities comprise 13.7 percent of the student population. The regular education student-to-teacher ratio is 16.5-to-1.

In March 2007, Rolling Hills LSD updated its five-year financial forecast and projected a positive General Fund year-end balance of approximately \$397,000 in FY 2006-07 and \$190,000 in FY 2007-08. However, beginning in FY 2008-09 the District projected a negative year-end fund balance through the remainder of the forecast period. By FY 2010-11, Rolling Hills projected a deficit of approximately \$2.3 million.

Rolling Hills LSD passed an 8.2 mill renewal levy in November 2006. The District did not project additional revenue from replacement/renewal or new levies during the forecast period.

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 assist the District in identifying strategies to eliminate the conditions that brought about the fiscal caution declaration. The following major assessments were conducted in this performance audit:

- Key financial management practices such as forecasting, management and stakeholder reporting, budgeting, purchasing, and payroll were reviewed in the financial systems section.
- District-wide staffing levels, collective bargaining agreements, and benefit costs were assessed in the human resources section.
- Custodial and maintenance operations, including staffing, policies and procedures, energy management practices, and work orders were examined in the facilities section.
- Key transportation information such as staffing, average cost per bus, and average cost per bus were reviewed in the transportation section.
- Staffing levels, planning and budgeting, policies and procedures, security, hardware, and instructional and management software were assessed in the technology section.

In addition, the District's financial activity for food services was reviewed at the start of the performance audit. In FY 2003-04 and FY 2004-05, the General Fund subsidized the food service operations via annual transfers of \$50,000 each year. However, in FY 2005-06, there were no transfers from the General Fund and no transfers are forecasted in the next five years. The absence of transfers from the General Fund in FY 2005-06 are due to the District taking the following actions:

- Reducing the number of food service positions by one full-time position and one 2-hour position, along with reducing the number of hours worked by 15 cooks; and
- Eliminating the a la carte menu and only offering fully reimbursable meals.

As a result, the performance audit did not further review food service operations.

This performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, or efficiency improvements. The recommendations comprise options that Rolling Hills LSD can consider in its continuing efforts to stabilize its financial condition.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Additionally, data was deemed reliable unless noted otherwise in the report sections. Peer school district data and other information used for comparison purposes were not tested for reliability, although the information was reviewed for reasonableness and applicability.

Audit work was conducted during FY 2006-07, and data was drawn from FY 2004-05 and FY 2005-06. To complete this report, the auditors gathered a significant amount of data pertaining to the District, conducted interviews with numerous individuals associated internally and externally with the various departments, and reviewed and assessed available information.

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. 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 provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

AOS developed a database of ten districts that was used for peer comparisons. These districts include East Holmes Local School District (Holmes County); New Riegel Local School District (Seneca County); Springfield Local School District (Mahoning County); Southeast Local School District (Wayne County); Logan-Hocking Local School District (Hocking County); Garaway Local School District, Indian Valley Local School District (Tuscarawas County); Loudonville-Perrysville Exempted Village School District (Ashland County); Leipsic Local School District (Putnam County); and New London Local School District (Huron County). These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten school districts as “Type 1” (Rural/agricultural – high poverty, low median income) the same type as Rolling Hills LSD. Additionally, these ten school districts were meeting a high number of performance standards at a relatively low cost per pupil.

Furthermore, external organizations and sources were used to provide comparative information and benchmarks, including the following:

- Government Finance Officers Association;
- American Institute of Certified Public Accountants;
- State Employment Relations Board;
- Society for Human Resource Management;
- American Schools and Universities; and
- National Center for Education Statistics.

The Auditor of State and staff express appreciation to Rolling Hills LSD for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

This section of the executive summary highlights specific Rolling Hills LSD accomplishments identified throughout the course of the audit.

- **Reduction in Force:** In response to its financial condition, the District reduced staff by 12 certificated employees for FY 2006-07 through a \$40,000 retirement incentive, and received the resignations of two other certificated staff members. The District projected the replacement of four of the 14 reductions. In addition, the District eliminated two central office, three monitor, and two bus driver positions.
- **Negotiated Wage Increases:** RHLSD did not provide a negotiated increase to base wages in FY 2005-06 and FY 2006-07. This action will help the District improve its financial condition.

- **Workers' Compensation Program:** The District reduced its workers' compensation experience rating from 0.96 in calendar year (CY) 2005 to 0.67 in CY 2006. This is well below the benchmark experience rating of 1.0 from the Ohio Bureau of Workers' Compensation (BWC).
- **Wireless Technology:** Three of RHLSD's buildings (60.0 percent) have limited wireless network technology. This is higher than either the peer district average of 54.0 percent or the Statewide 44.1 percent. Wireless connections are available at Secrest Elementary, Meadowbrook High, and Meadowbrook Middle. RHLSD has used wireless technology to solve problems associated with rewiring an older building for cafeteria terminals and for connecting remote locations, such as the transportation building and a special education classroom. According to the *Executive Summary: A Guide to Wireless LANs in K-12 Schools*, (CoSN, 2006), using wireless networks to overcome structural issues and expand existing infrastructure, where buildings are older or less accessible, can result in financial savings and expanded technology options.
- **Networked Printing Options:** RHLSD uses laser printers for the networked printers accessible to all staff. According to *Inkjets Versus Laser Printers* (Small Business Computing, 2005), the cost to purchase and supply ink cartridges for a common laser printer is eight times less than an inkjet printer. In addition, RHLSD also uses these networked printing devices as copiers and scanners. According to *Multifunction Printers* (PC Magazine, 2000), multifunction devices require less space than separate devices, need fewer manuals and cables, can share consumable supplies, and usually present a common software interface.
- **Security Card Readers:** RHLSD's use of electronic card readers and access panels on strategic interior doors provides security for personnel from unauthorized entry and protection against theft of technology assets.
- **Uninterruptible Power Supply (UPS) Units:** RHLSD uses uninterruptible power supplies (UPS) and portable backup generators throughout the District to secure technology devices and preserve functionality of equipment in the event of unexpected power loss. According to *Redundancy in All Things* (PC Magazine, 2002), UPSs are often overlooked but should be included in planning a backup facility. These UPSs can be an important part of ensuring redundancy in the event a temporary facility must work as the primary facility. Furthermore, having back-ups ensures that information and services can continue, thereby helping the District recover rapidly and cost-effectively from potential disasters.

- **Teacher Use of Web Pages:** RHLSD uses teacher web pages to enhance communication with parents. According to the 2006 BETA survey, 59.1 percent of RHLSD teachers report using web pages on a daily or weekly basis to post class-related information. By comparison, only 23.6 percent of peer district teachers and 23.4 percent of teachers across the State report using web pages on a daily or weekly basis.

Conclusions and Key Recommendations

The performance audit contains several recommendations pertaining to operations at Rolling Hills LSD. The following are the key recommendations from the report:

In the area of financial systems:

- Rolling Hills LSD should analyze and use the financial recovery plan outlined in **Table 2-13** to evaluate the proposed recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit along with other strategies to improve its current and future financial condition. Finally, the District should update its financial recovery plan on a continual basis as critical financial issues are addressed.
- Rolling Hills LSD should include additional detail to explain the rationale and basis for the District's financial forecast (e.g., historical events and trends, explanation of relevant statutes, etc). This would help the School Board and community understand the forecast and draw well-informed conclusions. This would also better ensure that the projections appear reasonable (see **R2.5** to **R2.7**).
- Rolling Hills LSD should review and adjust its projections for real estate property tax revenues. The District should consider historical trends, including past updates and reappraisals, and any additional information provided by the Guernsey County Auditor. When deviating from historical trends, the Treasurer should clearly explain the basis for the deviations in the assumptions (see **R2.4**).
- When developing future projections of personal services line in the District's Five-Year Forecast, Rolling Hills LSD should include estimates for negotiated wage increases to base salaries, based partially on historical increases. This would provide a more realistic projection of future expenditures for personal services. In addition, the Treasurer should ensure that the stated assumptions match the methodology used to calculate the projections.

- The District should adequately plan its yearly textbook and instructional material purchases to comply with the spending requirements in ORC § 3315.17, or it should submit a waiver request. This would prevent the District from accruing a large liability that will place an unnecessary burden on future budgets and ensure that students are provided with updated instructional materials. The District should also update capital outlay projections to ensure compliance with set-aside requirements in ORC § 3315.18. In addition, the District should review spending in all funds that may qualify to meet set-aside requirements and determine whether it can reallocate spending in non-General Fund sources to help meet future set-aside obligations.
- Rolling Hills LSD should activate its audit committee. The audit committee should follow guidelines from relevant organizations, such as the Treadway Commission and AICPA.

In the area of human resources:

- Because of its financial condition (see **financial systems**), RHLSD should consider reducing its regular teaching and Educational Service Personnel (ESP) positions. The District could reduce regular teaching staff by up to 20 FTEs and ESP staff by up to 8 FTEs, which would result in operating at state minimum requirements in OAC § 3301-35-05. However, the District should weigh decisions to reduce teacher and ESP staffing levels against the potential impact the reductions may have on its educational outcomes.
- During future negotiations, RHLSD should consider increasing employee co-pays for physician visits and prescription drugs; implementing a three-tiered prescription plan; requiring employee annual deductibles and cost sharing for hospital visits and outpatient surgery; and increasing annual out of pocket maximums. Taking these measures could help the District lower its medical premium costs. The District should also consider increasing employee contributions towards monthly premiums, especially if it is unsuccessful in altering the above plan benefits. In addition, the District should review dental and vision premium costs to identify appropriate cost-saving measures.
- During future negotiations, RHLSD should consider offering a prorated insurance payment schedule for its part-time employees in order to receive full insurance benefits. In addition, the District should consider negotiating the same work hours threshold (e.g., 35 hours) for all employees that would entitle them to full benefits at the full-time monthly contribution rate.
- In future negotiations, the District should consider reducing the maximum number of sick days paid at retirement. RHLSD should also seek to eliminate the retirement incentive language in its certificated agreement, or at least modify it to enable the District to only offer retirement incentives based on cost/benefit analyses.

- RHLSD should develop a leave abuse policy for both certificated and classified staff that addresses sick, professional, and release time, and includes prohibitions against pattern abuse. The District should also develop methods to closely monitor leave use and help identify potential abuse. In addition, the District should require all staff to submit physician statements, where appropriate, as well as leave forms to substantiate sick leave use. Collectively, these measures could help the District reduce leave taken by employees. This, in turn, could help reduce substitute and overtime costs, and increase employee productivity. Furthermore, the District should eliminate, or at least reduce and restructure, the sick leave incentives in the negotiated agreements.

Additionally, the District should review the number of days provided for professional leave, personal leave, and release time, and consider negotiating changes as these leave types can contribute to overtime and substitute costs, and reduce productivity. Lastly, the District should require staff to submit documentation to substantiate time and activities used for professional and release time leave, and negotiate a maximum number of days/hours for release time.

In the area of facilities:

- Rolling Hills LSD should consider reallocating some custodial time to grounds work (e.g., 1.3 FTEs). Doing so would result in bringing staffing levels more in line with NCES benchmarks. In addition, the District should monitor maintenance staffing levels and contracted services along with developing facility and capital plans, implementing a CMMS, conducting annual facility audits, and developing formal performance standards (see **R4.7**, **R4.8**, **R4.9** and **R4.11**). Taking these measures would better ensure the District provides sufficient resources to effectively maintain its buildings. Furthermore, the District should consider negotiating with the bargaining unit to remove the restriction from the contract that prevents the Maintenance Supervisor from performing maintenance tasks. This would provide the District with some flexibility in addressing critical tasks, especially when the current maintenance employee is absent.
- Rolling Hills LSD should develop and implement energy management policies and procedures that District staff should follow to help control and potentially minimize energy costs. In addition, Rolling Hills LSD should develop an energy conservation training and education program based on its policies and procedures, and information from industry sources. The training and education program should cater to both students and staff members, and convey the steps to conserve energy and the reasons behind energy conservation (see **R4.4**).
- The District should develop and formally adopt a five to ten-year forecast methodology for projecting student enrollment. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and

update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues and if necessary, determine possible building closings or reconfigurations. If enrollment continues to decrease, the District should consider selling their modular units located at Brook Elementary.

- Rolling Hills LSD should consider purchasing a computerized maintenance management system (CMMS) that is compatible with its other operating systems and software. An automated system would allow the District to begin tracking and monitoring the amount of the supplies and materials used on a project, the cost of labor (including staffing levels and overtime usage), and the productivity and performance of assigned personnel. Having this information available would be helpful in estimating future costs and timeframes for potential projects, and in determining the cost-effectiveness of continuing to contract for preventative maintenance versus hiring a qualified employee (see **R4.1**). In addition, using the preventive maintenance agreement as a starting point, Rolling Hills LSD should establish written guidelines and operating procedures for addressing and prioritizing emergency maintenance, routine maintenance, and preventive maintenance.

In the area of transportation:

- RHLSD should develop and implement formal procedures for reporting transportation data to ODE. Specifically, the Transportation Supervisor and the Treasurer should verify the transportation expenditures and related data (e.g., non-routine miles and special needs riders) before submission of the forms to the State for reimbursement. The Treasurer's Office should verify adherence to the procedures before approving the T-2 report. Additionally, the Transportation Supervisor and a representative from the Treasures Office should attend one of the ODE training sessions on completing transportation forms.
- RHLSD should assess the feasibility of increasing its capacity utilization rate closer to a goal of 80 percent by reviewing its routing and student ride times, and ensuring the safety of students on buses. The District should also conduct a formal study of the potential cost savings and operational impacts related to adjusting its bell schedules. For example, while further staggering the bell schedules could reduce bus driver positions by having more buses complete multiple runs, it may increase student ride times and fuel costs. Nevertheless, taking these measures could help the District eliminate at least three buses and/or reduce bus runs, which subsequently would improve bus utilization and reduce costs.

During future negotiations, the District should eliminate restrictions on teacher start and end times to ensure flexibility in managing operations and making necessary changes to improve efficiency. In order for the District to be able to reduce personnel costs by reducing runs, it should eliminate or reduce the guaranteed minimum payment of four

hours for its bus drivers (see **R5.9**). Furthermore, the District should consider purchasing routing software after reviewing the features and benefits of various packages, and determining whether it would be cost and operationally effective.

- RHLSD should consider reducing its spare fleet by three buses, by reducing the costliest buses to maintain, regardless of their current classification as a spare or active bus. Making cost-effective bus replacement decisions can be aided by developing a formal bus replacement plan (see **R5.4**). As the District reduces its active fleet (see **R5.2**), it should also reduce its spare fleet to be more in line with the peer average or Federal Transit Authority (FTA) benchmark. In order to help extend the useful life of its fleet, the District should consider rotating its newer buses to longer routes.
- If the District continues to experience financial difficulties, RHLSD should consider reducing transportation services to a level closer to State minimum requirements. However, prior to making reductions in transportation services, the District should work with ODE to determine any potential reductions in State reimbursements to ensure that savings would outweigh the loss of State reimbursements. The District should also ensure that the safety of students would not be compromised by reducing service levels closer to State minimum requirements.
- Subject to consultation with its legal counsel and subject to negotiation with the collective bargaining unit, RHLSD should eliminate its practice of paying a minimum of four hours per day to bus drivers. Instead, the District should pay bus drivers for actual time worked each day. If RHLSD is unsuccessful at eliminating the entire four-hour minimum pay, it should reduce the minimum number of paid work hours to no more than two for transportation personnel and require staff to work during the entire period for which they are receiving payment by identifying other duties that can be performed by drivers. Compensating bus drivers for time actually worked will allow RHLSD to better control personnel costs.

In the area of technology:

- RHLSD should develop a formal replacement plan for its computers (e.g., five-year replacement cycle) and related equipment, and include it in its technology plan and capital plan (see **R4.7** in **facilities**). The District should budget monies annually to support the formal replacement plan. Although RHLSD should consider other factors when deciding whether to replace technology (e.g., its financial condition, repair costs, other District priorities, etc.), a formal replacement plan would help the District anticipate and quantify potential costs for replacing computers in the future. It could also help the District transition all computers to the same operating system. Furthermore, RHLSD should assess the potential savings and operational improvements from implementing a

thin client technology system. This would help the District determine whether it should transition to a thin client system.

- RHLSD should review the allocation of computers across school buildings to ensure teachers and students have equitable and sufficient access to technology resources, and that variations are appropriately justified. This can be aided, in part, by centralizing purchasing for technology (see **R6.5**). Prior to altering computer allocations, the District should ensure it has accurately identified its computer inventory at each building (see **R6.6** and **R6.18**). In addition, the District should address computer allocations for each building in its technology plan, and ensure it accurately presents the current condition and sets reasonable goals for the future.. District officials should also determine the feasibility of providing a computer for each teacher. Alternatively, the District could devise a method whereby each teacher could easily access and use a computer (e.g., rotating system during planning periods).
- RHLSD should consider implementing a program to train students to assist in technical support. These students could assist the Computer Technician in basic troubleshooting and routine tasks, in exchange for course credit. A student program would help prepare students for careers in technology by educating them in technology support and deployment, while allowing the District to use low-cost resources for some of its technology support needs.
- RHLSD should develop uniform software and hardware standards for technology. Coupled with centralizing technology purchases with the Technology Department, this would avoid purchasing and supporting multiple systems and equipment. In addition, RHLSD should implement pilot or trial programs wherever possible to test the functionality of new software, prior to purchase.
- RHLSD should develop a formal disaster recovery plan for technology systems. Doing so would help the District effectively recover from potential disasters and possibly alleviate foreseeable problems. Once developed, the District should review and update the plan at least annually.
- RHLSD should regularly track and reconcile the inventory of technology equipment. For instance, the District should conduct periodic reconciliations between the inventory database and the actual physical assets. This would ensure compliance with grant requirements, maintain accurate information for planning purposes including computer allocations per building (see **R6.4**), and prevent potential misuse, abuse or fraud. Furthermore, RHLSD should require staff to obtain authorization from the Technology Department and other appropriate staff prior to transferring equipment.

Issues for Further Study

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

- **Private and Grant Funding:** SchoolGrants was created in 1999 as a way to share grant information with educators and offers grant writing tips to educators. SchoolGrants reduces the effort required to find suitable grants by listing a variety of opportunities available to schools across the United States. Although the performance audit did not review the District's efforts to obtain grant and private funding, actively pursuing such opportunities could increase funding available for various programs and operations.
- **Staffing Assignments for EMIS Reporting:** The District eliminated the EMIS coordinator position and reassigned the duties to the Treasurer. EMIS is used to determine state funding levels and can help the District assess data when making important decisions. Therefore, the District should ensure the Treasurer's Office is provided with sufficient training on EMIS, and that sufficient resources are allocated to the EMIS function. For instance, based on the FY 2006-07 EMIS report, the District increased administrator staffing by approximately 1.0 FTE since FY 2005-06. This results in the District employing 7.06 administrator FTEs per 1,000 students, which is slightly higher than the peer average of 6.74 in FY 2005-06.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that Rolling Hills LSD should consider. Detailed information concerning the financial implications, including assumptions, can be found in the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendations	One Time Revenue Enhancements	Annual Cost Savings	One Time Costs	Annual Costs
R3.2 Consider reducing up to 20 regular education FTEs		\$930,000		
R3.2 Consider reducing up to 8 ESP FTEs		\$422,000		
R3.13 Purchase an automated substitute system to eliminate supplemental contract		\$1,700		
R3.17 Request supplemental funding for gifted program to forward to ESC		\$5,000		
R4.2 Purchase ISAA manual			\$60	
R4.4 Implement an energy program		\$32,200		
R4.8 Purchase a CMMS				\$1,200
R5.2 Eliminate at least three active buses and/or bus runs		\$57,700		
R5.3 Eliminate three spare busses	\$24,000	\$1,728		
R5.6 Eliminate or reduce the minimum number of paid hours for bus drivers		\$11,000		
R5.11 Join ODAS purchasing program		\$640		\$110
R6.1 Adopt a five-year replacement cycle				\$105,000
R6.3 Purchase an electronic work order system				\$1,200
Total Recommendations Not Subject to Negotiation	\$24,000	\$1,461,968	\$60	\$107,510
R3.4 Alter benefits in the health insurance plan		\$119,000		
R3.5 Prorate insurance premiums for part-time employees		\$89,000		
R3.7 Reduce maximum severance payments		\$6,900		
R3.9 Reduce sick leave use to DAS averages		\$5,600		
Total Recommendations Subject to Negotiation		\$220,500		
Total Financial Implications	\$24,000	\$1,648,476	\$60	\$107,510

Source: Financial implications identified throughout this performance audit

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

Financial Systems

Background

This section of the audit focuses on financial systems in the Rolling Hills Local School District (Rolling Hills LSD or the District). The objective is to analyze the current financial condition of the District and develop recommendations for improvements and efficiencies. Comparisons are made throughout the report to applicable sources, including the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and a peer district average comprising ten school districts. These ten districts include Celina City School District, Garaway Local School District, Indian Valley Local School District, Leipsic Local School District, New London Local School District, New Riegel Local School District, Ridgewood Local School District, Southeast Local School District, Springfield Local School District, and Symmes Valley Local School District. These ten districts are classified in the same demographic category as RHLSD (Rural/Agricultural – high poverty, low median income) by the Ohio Department of Education (ODE). In addition, these ten 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.

Organization Structure & Function

The Treasurer’s office consists of four full-time employees: the Treasurer, a payroll supervisor, and two budgetary/inventory employees. According to the position description, the Treasurer has the responsibility of Chief Fiscal Officer for the District. This includes the receipt, safekeeping, accounting, and disbursement of all public funds as required by Federal and State law, and in accordance with School Board regulations and policies. Each Treasurer’s office employee reports directly to the Treasurer. The Treasurer regularly monitors and provides support to office staff. Prior to the start of Fiscal Year (FY) 2006-07, the Treasurer’s office began managing the Education Management Information System (EMIS) for the District.

Financial Forecast

Ohio Revised Code (ORC) section 3316.03 establishes fiscal caution, watch and emergency designations for Ohio school districts. The difference between fiscal caution, watch, and emergency is the severity of the school district’s financial condition.

On March 24, 2006, the Ohio Department of Education (ODE) placed Rolling Hills LSD in fiscal caution based on potential current deficits, as well as the potential for deficits in future years. According to ORC section 3316.031, a school district placed in fiscal caution is required

to submit a fiscal caution proposal within 60 days of the declaration proposing changes that would lead to the elimination of potential deficits. If the district has not made reasonable proposals or taken action to correct the practices or conditions that led to the declaration, the State Superintendent may report to the Auditor of State that a declaration of fiscal watch is necessary to prevent further decline. In response to the fiscal caution declaration and in accordance with ORC section 3316.031(C), the District completed a Fiscal Caution Financial Recovery Plan and submitted it to ODE on May 24, 2006. The Fiscal Caution Financial Recovery Plan detailed the various steps the District would take to remove itself from fiscal caution, including the following:

- **Reduction in Force:** For FY 2006-07, the District reduced staff by 12 certificated employees through a \$40,000 retirement incentive, and received the resignations of two other certificated staff members. The District projected the replacement of four of the 14 reductions. In addition, the District eliminated two central office, three monitor, and two bus driver positions. The District also cited an undisclosed number of reductions for custodians and educational assistants.
- **Purchased Services:** The District planned to reduce \$128,000 in contracted services from the Ohio Valley Education Service Center (ESC).
- **Materials, Supplies, & Textbooks:** The District planned to reduce \$31,500 in student supplies.
- **Non-Operational Expenditures:** The District planned to reduce athletic expenses.

The Recovery Plan was accepted by ODE on June 4, 2006. Nevertheless, the Treasurer projects deficits from FY 2008-09 through FY 2010-11 (see **Table 2-1**).

The Treasurer prepared a five-year financial forecast (Five-Year Forecast) for the District, which was adopted by the Board of Education. The purpose of the Five-Year Forecast is to assist School Board members, administrators, and interested parties in assessing the fiscal ramifications and consequences of decision making for the District. The Treasurer submitted the Five-Year Forecast to ODE in October 2006. During the course of this performance audit, the Treasurer submitted an updated Five-Year Forecast (Updated Forecast) to the Auditor of State, which reflects in the respective property tax line items the renewal of an 8.2 mill levy in November 2006. In the October Five-Year Forecast, the Treasurer reflected the impact of the renewal as a separate line item, which constitutes the only difference between these two forecasts.

Table 2-1 presents the Rolling Hills LSD Updated Five-Year Forecast.

Table 2-1: Rolling Hills LSD Historical Budget and Forecast (in 000's)

Line Item	Actual 2002-03	Actual 2003-04	Actual 2004-05	Actual 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11
Real Estate Property Tax	\$3,088	\$3,425	\$3,489	\$3,712	\$3,849	\$3,907	\$3,966	\$4,116	\$4,179
Tangible Personal Property Tax	\$1,745	\$1,732	\$1,575	\$1,397	\$968	\$596	\$277	\$0	\$0
Unrestricted Grants-in-Aid	\$7,511	\$8,395	\$8,466	\$8,474	\$8,275	\$8,275	\$8,275	\$8,275	\$8,275
Restricted Grants-in-Aid	\$771	\$242	\$183	\$229	\$220	\$220	\$220	\$220	\$220
Property Tax Allocation	\$432	\$457	\$476	\$604	\$978	\$1,303	\$1,561	\$1,780	\$1,780
All Other Operating Revenue	\$336	\$522	\$624	\$707	\$727	\$727	\$727	\$727	\$727
Total Operating Revenue	\$13,884	\$14,773	\$14,813	\$15,124	\$15,016	\$15,027	\$15,025	\$15,117	\$15,180
Advances-In	\$0	\$0	\$0	\$0	\$7	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$535	\$146	\$50	\$0	\$7	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$14,419	\$14,919	\$14,863	\$15,124	\$15,023	\$15,027	\$15,025	\$15,117	\$15,180
Personal Services	\$7,800	\$8,247	\$8,443	\$8,068	\$7,834	\$8,041	\$8,062	\$8,133	\$8,202
Fringe Benefits	\$2,863	\$3,037	\$2,939	\$3,289	\$3,360	\$3,510	\$3,747	\$4,004	\$4,288
Purchased Services	\$1,941	\$2,412	\$2,708	\$2,689	\$2,001	\$2,041	\$2,082	\$2,123	\$2,166
Supplies and Materials	\$555	\$476	\$510	\$385	\$368	\$375	\$383	\$390	\$398
Capital Outlay	\$821	\$574	\$430	\$86	\$100	\$250	\$250	\$250	\$250
Other Expenditures	\$208	\$205	\$199	\$283	\$1,017	\$1,017	\$1,017	\$1,017	\$1,017
Debt Service	\$108	\$114	\$103	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$14,296	\$15,066	\$15,333	\$14,800	\$14,680	\$15,234	\$15,539	\$15,918	\$16,320
Total Other Financing Uses	\$783	\$406	\$200	\$18	\$11	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$15,079	\$15,472	\$15,533	\$14,818	\$14,691	\$15,234	\$15,539	\$15,918	\$16,320
Result of Operations (Nct)	\$660	(\$553)	(\$670)	\$306	\$332	(\$207)	(\$514)	(\$801)	(\$1,140)
Beginning Cash Balance	\$1,894	\$1,234	\$681	(\$99)	\$214	\$547	\$340	(\$174)	(\$975)
Ending Cash Balance	\$1,234	\$681	\$11	\$214	\$547	\$340	(\$174)	(\$975)	(\$2,115)
Outstanding Encumbrances	\$277	\$271	\$294	\$115	\$150	\$150	\$150	\$150	\$150
Fund Balance June 30 for Certification of Appropriations	\$957	\$410	(\$283)	\$99	\$397	\$190	(\$324)	(\$1,125)	(\$2,265)
Unreserved Fund Balance June 30	\$957	\$410	(\$283)	\$99	\$397	\$190	(\$324)	(\$1,125)	(\$2,265)

Source: Rolling Hills LSD Five-Year Forecast, February 2007

One of the primary objectives of this performance audit is to test the reasonableness of the District's forecasting methodology and assumptions to ensure reliable projections. Accordingly, the following presents the District's methodology and major assumptions used in preparing the financial forecast. The Auditor of State's conclusions as to the reasonableness of these assumptions and related methodologies are also presented.

Revenues

Real Estate Property Taxes

The real estate property tax revenue estimates include residential real estate tax, public utility property tax, and manufactured home tax revenues. Real estate property taxes made up approximately 25 percent of the District's revenue for FY 2005-06. The District's assumptions for projecting real estate property taxes appear to be understated, based on historical trends (see **R2.5**).

State Funding

State funding represents restricted and unrestricted grants-in-aid. For Rolling Hills LSD, unrestricted and restricted grants-in-aid represented approximately 58 percent of FY 2005-06 revenues.

The District's assumptions provide amounts and numeric percentage changes; however, the assumptions do not provide detailed explanations for those projections (see **R2.4**). The Treasurer verbally indicated that because the District is losing enrollment, there is no anticipated increase in state funding.

State funding increased by an average of approximately 4 percent per year from FY 2001-02 to FY 2005-06. The greatest increase was 10 percent from FY 2001-02 to FY 2002-03, and the smallest increase was 0.1 percent from FY 2003-04 to FY 2004-05. However, State funding was reasonably stable from FY 2003-04 to FY 2005-06, totaling approximately \$8.638 million in FY 2003-04, \$8.648 million in FY 2004-05, and \$8.70 million in FY 2005-06. Despite the fact that the per pupil funding amount increased each year by an average of 2.1 percent from FY 2003-04 to FY 2005-06, enrollment (SF-3 ADM) declined each year by an average of 1.4 percent. This contributed to generally consistent State funding during this time period.

The FY 2006-07 projection for State foundation funding prepared by the Treasurer was reasonable. The District's actual State foundation funding as of 12/31/06 was \$4,240,953, which is approximately \$6,000 (0.3 percent) below the projected amount. The projected decrease of 2.4 percent from FY 2005-06 to FY 2006-07 is due primarily to a decline in enrollment of 5.3 percent, which is the largest decrease in enrollment from FY 2001-02 to FY 2006-07. The increase of 2.3 percent in the per pupil funding formula amount for FY 2006-07 partially offset

the decline in enrollment. Furthermore, actual revenues became available during the course of this performance audit. The District actually received approximately \$8.489 million in total State funding in FY 2006-07, consistent with the projection of approximately \$8.495 million.

From FY 2007-08 to FY 2010-11, the Treasurer projects State funding to remain constant at the FY 2006-07 projected amount of approximately \$8.5 million. Assuming that enrollment continues to decrease at the levels prior to the significant drop in FY 2006-07 and considering the trends in total State funding since FY 2003-04, the Treasurer's projections appear reasonable. However, developing formal enrollment projections would ensure the reasonableness of the District's State funding projections (see **R4.5** in facilities).

Tangible Personal Property Tax and Property Tax Allocation

According to the District's assumptions, tangible personal property tax projections are based on spreadsheets from ODE. This is due to the complex reductions authorized by HB 66. Replacement revenue related to the reductions, however, is reflected in the property tax allocation line item.

HB 66 was passed on June 30, 2005, and included several changes to the way Ohio schools are funded. HB 66 accelerates the phase-out period for tangible personal property taxes. At the same time, the legislation replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue (accounted for as State funding), and in the following seven years, the reimbursements are gradually phased out.

Although the District's assumptions for tangible personal property tax and property tax allocation were not tested for reasonableness, the figures in **Table 2-1** suggest that the Treasurer has attempted to account for the effects of HB 66. In addition, the District actually collected approximately \$1.012 million in tangible personal property taxes and \$1.025 in property tax allocation revenues in FY 2006-07, amounts which are only slightly higher than the Treasurer's projections of \$968,000 and \$978,000, respectively.

Other Revenues

The Treasurer projects other revenues to increase slightly (approximately \$19,000) in FY 2006-07. Thereafter, the Treasurer projects other revenues to remain constant at the FY 2006-07 amount of approximately \$727,000.

The significant increase in other revenues in FY 2003-04 was due in large part to changes in the method for reporting open enrollment. According to the Treasurer, the District reported open enrollment receipts less expenditures as an expenditure from FY 2000-01 to FY 2002-03. Subsequently revenue related to open enrollment is reported in other revenues and the expenditures reported in the expenditure line. Despite this change, the Treasurer explained that

the net effect on the District's financial reporting stays the same, indicating that the District loses approximately \$300,000 per year due to open enrollment activity. Open enrollment revenue comprised between 54 to 62 percent of total other revenues from FY 2003-04 to FY 2005-06. Additionally, open enrollment revenue increased by approximately 17 percent in both FY 2004-05 and FY 2005-06.

The Treasurer inflated open enrollment for FY 2005-06 by approximately two percent to project the FY 2006-07 amount. After FY 2006-07, the Treasurer kept open enrollment constant, anticipating that there would be no significant increase or decrease.

Based on the above historical trends, and coupled with the overall immateriality of this line item (4.7 percent of total revenues in FY 2005-06), the Treasurer's projections appear reasonable and somewhat conservative.

Expenditures

Personal Services

Personal services consist of employee salaries and wages, supplemental contracts, severance payments, and overtime. From FY 2001-02 to FY 2006-06, personal services made up 56 percent of the District's total General Fund expenditures. With the exception of step increases, the District projects no increases in base wages during the forecast period. This approach appears to be unreasonable based on historical trends (see **R2.6**).

Fringe Benefits

Fringe benefits comprised approximately 22 percent of total expenditures in FY 2005-06. This line item accounts for District-paid contributions to employee retirement systems; medical, dental, vision, and life insurance premiums; Medicare; and workers' compensation. The October 2006 Five-Year Forecast lists the following assumptions for fringe benefits:

- The FY 2006-07 projections include all current staff as of September 2006.
- Benefits are based on current negotiated agreements and salaries.
- All insurance payments are current and 12 months of insurance premiums are projected for FY 2006-07 through FY 2010-11.
- Estimated insurance increases of 15 percent are included for FY 2007-08 through 2010-11.

- For FY 2006-07 through FY 2010-11, \$96,000 would be paid for teacher retirement incentives (for teachers retiring in June or July of 2006).
- Other benefits, such as Medicare, are anticipated to increase as wages increase.

As the District did not forecast increases to base salaries, the benefit projections appear understated (see **R2.6**).

Purchased Services

The Treasurer projected purchased services to decrease by 26 percent in FY 2006-07, and increase by two percent annually thereafter. Purchased service expenditures include utilities, open enrollment tuition, costs for special education services, virtual learning services, and alternative school fees.

According to the Treasurer, prior to FY 2006-07, county deductions were recorded as purchased services. However, for FY 2006-07 and beyond, the Treasurer indicated that county deductions will be recorded in the other objects category. The 26 percent decrease in FY 2006-07 accounts for this change, and appears to explain the significant increase in other objects in FY 2006-07. The District actually spent approximately \$1.96 million in purchased services in FY 2006-07, slightly less than the projected amount of \$2.00 million.

Since purchased service expenditures were at similar levels in FY 2004-05 and FY 2005-06, and based on a comparison of actual expenditures to projections for FY 2006-07, the District's assumption of 2 percent increases after FY 2006-07 appears reasonable.

Supplies and Materials

Supplies and materials include textbooks, library books, food/other related supplies, maintenance and repairs, and general supplies. The District projected expenditures for supplies and materials to decrease by 4.4 percent in FY 2006-07, and increase by two percent annually thereafter. According to the notes in the Five-Year Forecast, the Treasurer based the expenditures in this line item on historical patterns from previous years. However, the projections do not appear to cover set-aside requirements for instructional materials (see **R2.7**).

Capital Outlay

According to the stated assumptions, the District projects capital outlay at \$100,000 for FY 2006-07 for new and replacement equipment, and \$250,000 annually thereafter for bus purchases and capital repairs. However, similar to supplies and materials, the capital outlay projections do not appear to account for statutory set-aside requirements (see **R2.7**).

Other Expenditures

The significant increase projected in other expenditures for FY 2006-07 is due to the inclusion of county deductions in this category, rather than in purchased services. The Treasure holds other expenditures constant at FY 2006-07 levels in each remaining year of the forecast.

From FY 2002-03 to FY 2004-05, other expenditures decreased slightly each year. The District actually spent approximately \$890,000 on other expenditures in FY 2006-07, which was 12.5 percent less than the projection. As a result, the projections for other expenditures after FY 2006-07 appear reasonable and somewhat conservative.

Revenue, Expenditure and Performance Comparisons

Table 2-2 compares the General Fund revenues and expenditures per pupil to the peer average, and includes both FY 2004-05 and FY 2005-06 revenues and expenditures for the District.

Table 2-2: Revenue and Expenditures Per Pupil

	Rolling Hills LSD FY 2004-05	Rolling Hills LSD FY 2005-06	Peer Average FY 2004-05
Property & Income Tax	\$1,824	\$1,835	\$2,807
Intergovernmental Revenues	\$4,376	\$4,501	\$4,535
Other Revenues	\$241	\$291	\$412
Total Revenue	\$6,441	\$6,627	\$7,754
Wages	\$3,554	\$3,386	\$4,295
Fringe Benefits	\$1,289	\$1,412	\$1,741
Purchased Services	\$1,322	\$1,320	\$952
Supplies & Textbooks	\$249	\$189	\$298
Capital Outlay	\$210	\$34	\$119
Debt Service	\$0	\$0	\$5
Miscellaneous	\$79	\$121	\$198
Other Financing Uses	\$98	\$9	\$178
Total Expenditures	\$6,801	\$6,471	\$7,785

Source: The Ohio Department of Education

As shown in **Table 2-2**, total revenue per pupil and total expenditures per pupil are both lower than the peer averages. Rolling Hills LSD spending per pupil is higher only in purchased services and capital outlay. Although the District's purchased service expenditures per pupil remained fairly constant from FY 2004-05 to FY 2005-06, they are still significantly higher than the peer average (39 percent). Tuition expenditures are the highest expenditure category within purchased services, comprising approximately 63 percent of total purchased services expenditures in FY 2005-06. In FY 2005-06, utility expenditures comprised the second-highest expenditure category, at approximately 14 percent of total purchased service expenditures. However, the District's utility costs per square foot are lower than the peer average, as further discussed in the

facilities section. While the District's capital outlay spending of \$210 per pupil was close to two times the peer average in FY 2004-05, it significantly reduced capital outlay expenditures to only \$34 per pupil in FY 2005-06.

Table 2-3 shows the FY 2004-05 and FY 2005-06 per pupil amount and percent of total expenditures posted to the various Uniform School Accounting System (USAS) function codes for Rolling Hills LSD and compares them to the peer average for FY 2004-05. Function codes report expenditures by their nature or purpose.

Table 2-3: Governmental Funds Operation Expenditures

	Rolling Hills LSD FY 2004-05		Rolling Hills LSD FY 2005-06		Peer Average FY 2004-05	
	Expenditure Per Pupil	Percent of Expenditures	Expenditure Per Pupil	Percent of Expenditures	Expenditure Per Pupil	Percent of Expenditures
Instructional Expenditures	\$5,076.40	62.20%	\$5,076.37	61.69%	\$5,230.58	59.79%
Support Service Expenditures	\$2,891.27	34.42%	\$2,980.40	36.21%	\$3,150.05	36.17%
Non-Instructional Services Expenditures	\$5.18	0.06%	\$5.46	0.06%	\$38.61	0.44%
Extracurricular Activities Expenditures	\$188.88	2.31%	\$166.51	2.03%	\$310.36	3.60%
Total Governmental Funds Operational Expenditures	\$8,161.73	100.00%	\$8,228.74	100.00%	\$8,729.50	100.00%
Total, including Facility, Acquisition, Construction, and Debt Service	\$8,560.30	100.0%	\$8,519.99	100.00%	\$9,259.08	100.0%

Source: Rolling Hills LSD and peer districts 4502 reports and SF-3 reports

Table 2-3 shows that Rolling Hills LSD's total governmental fund operating expenditures per student was \$567, or 7 percent, lower than the peer average. Spending was also lower in each category. **Table 2-3** also shows that the District's total expenditures per pupil increased by only \$67, or less than 1 percent, in FY 2005-06. When facility and debt service expenditures are included, governmental fund expenditures per pupil are still lower than the peer average, and decreased slightly in FY 2005-06. **Table 2-3** also shows that the District allocates a higher percentage of governmental operating expenditures to instruction when compared to the peer average.

Table 2-4 shows the number and percentage of State indicators met, along with performance index scores for Rolling Hills LSD for FY 2004-05 and FY 2005-06, and compares them to the peer averages for FY 2004-05.

Table 2-4: Academic Performance

	Rolling Hills LSD FY 2004-05	Rolling Hills LSD FY 2005-06	Peer Average FY 2004-05
Performance Indicators Met out of 23	7	11 (out of 25)	20
Percent of Performance Indicators Met	30%	44%	87%
Performance Index Score	83	90	98

Source: ODE

Despite the appropriation of a higher percentage of governmental operating fund expenditures to instruction, **Table 2-4** shows that Rolling Hills LSD achieved only 30 percent of the performance indicators, much lower than the peer average of 87 percent. Likewise, the District achieved a performance index score of 83, which was lower than the peer average by 15 index points. However, Rolling Hills LSD met 44 percent of the performance indicators in FY 2005-06. Similarly, the District increased its performance index score by 7 percentage points in FY 2005-06. By developing a strategic plan (see **R2.1**), expanding involvement in financial planning (see **R2.3**), using a performance measurement system (see **R2.2**), and improving the budgeting process (see **R2.8**, **R2.9**), the District could plan and allocate its resources in a manner that best aligns with its educational and operational needs.

Noteworthy Accomplishments

During the course of this performance audit, AOS identified the following noteworthy accomplishments:

- **Cost Reductions:** In response to its financial condition, the District reduced staffing levels (see page 2-2) and did not provide a negotiated increase to base wages in FY 2005-06 and FY 2006-07.

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 the auditor does not review within the scope of the audit. AOS has identified grant funding as an issue for further study. SchoolGrants was created in 1999 as a way to share grant information and offer grant writing tips to educators. SchoolGrants reduces the effort of finding suitable grants by listing a variety of opportunities available to schools across the United States. Although the performance audit did not review the District's efforts to obtain grants and private funding, actively pursuing these funding opportunities could increase funding available for various programs and operations. Therefore, Rolling Hills LSD should ensure that it actively researches and pursues grants and private funding opportunities.

Recommendations

Financial Forecast, Planning and Performance Measurement

R2.1 Rolling Hills LSD should publish a clearly written, multi-year strategic plan to provide vision and direction. The strategic plan should clearly define the District's goals, measurable objectives, and strategies/actions for goal achievement. In order to consider key factors and provide a comprehensive approach, the District should link the strategic plan to the five-year financial forecast, Continuous Improvement Plan, budget, and capital plan (see facilities). After developing and implementing a strategic plan, the District should formally assess progress towards achieving its strategic goals and objectives. The Board should propose revisions to strategic planning and budgeting elements, including revisions to performance measures and definitions when necessary. By developing a strategic plan and continually assessing progress, the District would increase the effectiveness of planning for the future and identifying strategies to improve its financial condition.

According to the Treasurer, Rolling Hills LSD has not developed a strategic plan and the Board does not annually assess progress toward the attainment of District objectives. Instead, the Treasurer indicated the Board relies solely on the Superintendent to monitor all District progress. According to Board policy, it is the Superintendent's duty to monitor the District's progress. While the District lacks a comprehensive strategic plan addressing all operating units, it has created a Continuous Improvement Plan (CIP) that addresses educational performance and sets educational goals for upcoming years.

The Baldrige National Quality Program's *Education Criteria for Performance Excellence* provides a systems perspective to goal alignment, particularly when strategies and goals change over time. There are four defined stages:

- Planning, including design of processes, selection of measures and deployment of the requirements;
- Executing plans;
- Assessing progress and capturing new knowledge, taking into account internal and external results; and
- Revising plans based on assessment findings, learning, new inputs, new requirements and opportunities for innovation.

Strategic planning involves the development of strategic objectives; action plans for achieving those objectives; and deployment of the action plans. Strategy development is the approach (e.g., forecasts, projections or scenarios) used to envision the future for

purposes of decision-making and resource allocation. Strategies should be built around or lead to any or all of the following:

- addition or termination of services and programs;
- redirection of resources;
- modifications in instructional design;
- use of technology;
- changes in testing or adoption of standards;
- services to new, changing, and special student populations;
- geographic challenges; grants and endowments;
- research priorities; new partnerships and alliances;
- and new faculty and staff relationships.

Another factor that should be present in a strategic plan is the use of resources, which ensures the availability of well-prepared faculty and staff, and bridges short and longer-term requirements that may entail capital expenditures, technology development or acquisition, or development of partnerships or collaborations. Accomplishment of action plans requires the allocation of resources and specification of key performance requirements, measures, and indicators for areas such as faculty/staff development plans and the use of learning technologies. Lastly, deployment is the process of converting objectives into action plans. It can also include how the organization assesses progress relative to these action plans.

According to the Florida Office of Program Policy and Government Accountability (OPPAGA), school districts should have a multiyear strategic plan with annual goals based on identified needs, projected enrollment, and revenues. The strategic plan should provide vision and direction for the school district's decision-making. When developing the strategic plan, the district's school board should identify and formally adopt a limited number of priorities to guide strategies and major financial decisions. The board should also instruct district staff on how to consider these priorities in making program and budget decisions. The strategic plan should clearly delineate district goals and objectives, strategies the district intends to employ to reach desired objectives, performance measures and standards the district will use to judge its progress toward meeting goals, entities responsible for implementing plan strategies, and the timeframes for implementation. The board should annually assess the progress made toward achieving its objectives and amend priorities to reflect changes in community standards, student needs, or school board direction.

The absence of a strategic plan leaves the District without identified goals and priorities. This, in turn, hinders its ability to effectively plan for the future.

R2.2 Rolling Hills LSD should use a performance measurement system to assess its progress in meeting goals and objectives, including those in the strategic plan (see R2.1) and Continuous Improvement Plan. The system should also be used to evaluate educational programs and operating units. In addition, the District should compare its performance over time to available benchmarks (e.g., other similar school districts), and report its performance outcomes to internal and external stakeholders.

While the Continuous Improvement Plan (CIP) tracks the District’s educational performance, it does not establish performance standards for all District operations (non-educational goals). In addition, the District does not use comparable district benchmarks or industry standards as means of gauging its performance. Furthermore, according to the Treasurer, the District does not conduct evaluations of its educational and operational programs.

The Government Financial Officers Association (GFOA) recommends that financial, service, and program performance measures be developed and used as an important component of decision-making and incorporated into governmental budgeting. Performance measures should:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program results or accomplishments;
- Provide for comparisons over time;
- Measure efficiency and effectiveness;
- Be reliable, verifiable, and understandable;
- Be reported internally and externally;
- Be monitored and used in decision making processes; and
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs.

By using performance measures, the District would be better able to assess attainment of goals and evaluate operating units. Subsequently, this would enable the District to make objective and well-informed decisions about its programs and operations.

R2.3 Rolling Hills LSD should abide by its own policy for financial planning. Specifically, in addition to the Treasurer, it should include the Superintendent and the Board in the forecasting process.

The Treasurer is the only District administrator responsible for and involved in the financial forecasting process. The Treasurer prepares supporting spreadsheets that include detailed assumptions to accompany the Five-Year Forecast. The District’s Fiscal

Planning policy indicates that the Board shall collect and assemble the information necessary to discharge its responsibility for the fiscal management of the District and to plan for the financial needs of the educational program. The Board also directs the Superintendent and Treasurer to maintain an annual, detailed five-year projection of estimated revenues and expenditures.

The Government Financial Officers Association (GFOA) recommends that individuals responsible for financial planning develop a process for achieving consensus on the forecast of revenues used to estimate available resources for a budget. To achieve consensus, the process for producing the forecast must be trusted by all parties and be clear, open, and consistent. The process developed to achieve consensus should recognize where problems are likely to emerge and be structured accordingly.

A process that provides for developing consensus between the Treasurer, Superintendent, and Board on the forecast is more likely to result in reliable projections. Specifically, the active involvement of the Superintendent and Board would better ensure a critical review of assumptions underlying the forecast and help identify key variables affecting the projections (see **R2.4**), including goals and objectives in a strategic plan (see **R2.1**).

R2.4 Rolling Hills LSD should include additional detail to explain the rationale and basis for its financial forecast (e.g., historical events and trends, explanation of relevant statutes, etc). This would help the Board and community understand the forecast and draw well-informed conclusions. It would also better ensure that projections are reasonable (see R2.5 to R2.7).

Although the District includes assumptions and notes to its Five-Year Forecast, the assumptions and notes do not provide adequate disclosure regarding factors that have an impact on the forecast. This is further illustrated by the following examples:

- **Real Estate Tax:** The District does not disclose the reasoning for the projections beyond FY 2006-07.
- **Personal Property Tax:** The District's assumptions refer to House Bill (HB) 66, but provide no further description of that legislation. HB 66 phases out the tax on tangible personal property for general businesses, telephone and telecommunications companies, and railroads by FY 2010-11.
- **State Funding:** The District's assumptions provide estimates for state funding, but do not clearly explain the basis for the projections or define relevant state funding laws.

- **Benefits:** The District's assumptions do not indicate the basis for projecting insurance costs to increase by 15 percent annually from FY 2007-08 to FY 2010-11.

According to *Ohio Auditor of State Best Practices* (Spring 2004), assumptions should be sufficiently detailed to allow the reader to understand the factors included in each line item of the forecast. Best practice forecasts often include supporting documentation that accompanies the explanation of each assumption. Supporting documentation may include trend analyses, expert opinions, or other critical information.

A Guide for Prospective Financial Information (The American Institute for Certified Public Accountants (AICPA), 2006) recommends the following:

- Forecasts should use an appropriate level of detail. The use of more detail may improve the reliability of financial forecast.
- Assumptions should be reasonable and suitably supported. Support should be persuasive; although there are times when a range of different assumptions may appear equally likely.
- It is necessary to identify explicitly the information that forms the basis for significant assumptions. Documentation should record underlying assumptions as well as summarize supporting evidence. Documentation should provide the ability to trace forecasted results back to the support for underlying assumptions.

By failing to include detailed assumptions, the Board and the community may not be fully informed about the rationale supporting the District's forecast. Coupled with the exclusion of key parties in the forecasting process (see **R2.3**), the risk of including unreasonable projections is increased (see **R2.5** to **R2.7**).

R2.5 Rolling Hills LSD should review and adjust its projections for real estate property tax revenue. The District should consider historical trends, including past updates and reappraisals, and any additional information provided by the Guernsey County Auditor. When deviating from historical trends, the Treasurer should clearly explain the basis for the deviations in the assumptions (see R2.4).

Based on trends from FY 2001-02 to FY 2005-06, the Treasurer's real estate projections appear overly conservative. The real estate property tax revenue line item includes local revenue collected and paid to the District from residential real estate taxes, public utility property taxes, and manufactured home taxes. Real estate property tax collections represented 24 percent of the District's general operating revenue in FY 2004-05, and 25 percent in FY 2005-06.

Ohio Auditor of State (AOS) Technical Bulletin 98-015 provides guidelines to school districts preparing revenue assumptions and states:

“Property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor.”

Table 2-5 presents the District’s actual real estate property tax revenues from FY 2001-02 to FY 2005-06.

Table 2-5: Historical Analysis of Real Estate Property Taxes

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Average
Real Estate Property Taxes	\$2,960,856	\$2,997,228	\$3,088,304	\$3,424,825	\$3,489,416	\$3,712,170	\$3,342,389
Annual Change	N/A	\$36,372	\$91,076	\$336,521	\$64,591	\$222,754	\$150,263
% Change	N/A	1.2%	3.0%	10.9%	1.9%	6.4%	4.7%

Source: Rolling Hills LSD Five-Year Forecast, February 2007

Table 2-5 shows that the District’s real estate tax collections increased each year, with an average annual increase of 4.7 percent. The 10.9 percent increase in FY 2003-04 is the result of the property reappraisal and the expiration of a tax abatement agreement. The abated real estate value was approximately \$3,600,000. Based on the total assessed valuation and real estate revenues comprising 61 percent of total property tax collections in FY 2003-04, the estimated impact of the expiration of the abated agreement was approximately 3 percent of the increase in real estate revenues in FY 2003-04. The six percent increase in FY 2005-06 was due, in part, to a property tax delinquency payment of \$103,000 by a local company. Without this delinquency payment, the District’s annual percentage for real estate property tax collections in FY 2004-05 and FY 2005-06 would have been more consistent.

The Treasurer’s projects four percent increases for FY 2006-07 (update year) and FY 2009-10 (reappraisal year) and 1.5 percent increases in the remaining years. The projected average annual growth rate is only 2.4 percent. As shown in **Table 2-5**, this is much lower than the annual growth rate of 5.6 percent from FY 2000-01 to FY 2005-06.

Table 2-6 shows the impact of increasing real estate property taxes by four percent each year, compared to the District’s original projections. This similar to the average annual increase of 4.1 percent from FY 2001-02 to FY 2005-06, after accounting for the impact of the abatement agreement expiration in FY 2003-04.

Table 2-6: Revised Projections for Real Estate Property Taxes

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
District Real Estate Projections	\$3,849,395	\$3,907,030	\$3,965,818	\$4,115,725	\$4,178,687
Revised Real Estate Projections	\$3,860,657	\$4,015,083	\$4,175,686	\$4,342,714	\$4,516,422
Difference	\$11,262	\$108,053	\$209,868	\$226,989	\$337,735

Source: Rolling Hills LSD Five-Year Forecast, February 2007 and Auditor of State revisions.

R2.6 When developing future projections of the personal services and benefits lines in the Five-Year Forecast, Rolling Hills LSD should include estimates for negotiated increases to base salaries and specific benefits such as insurance expenditures, based partially on historical increases. This would provide a more realistic projection of future expenditures. The Treasurer should also ensure that the stated assumptions match the methodology used to calculate the projections.

The Treasurer projected personal services to decrease by 2.9 percent in FY 2006-07, due in part to the elimination of summer school sessions and a reduction in supplemental contract costs. The Treasurer projects personal services to increase 2.6 percent in FY 2007-08, and less than one percent per year thereafter. The Treasurer indicated that the forecast does not account for staffing reductions or additions. According to the assumptions, only step increases are projected from FY 2007-08 to FY 2010-11. As a result, the Treasurer projects no increase to base wages during the forecast period. Although the District did not provide a negotiated increase to base wages in FY 2005-06 and FY 2006-07, negotiated wage increases averaged 3.5 percent from FY 2001-02 to FY 2004-05. Furthermore, from FY 2001-02 to FY 2006-07, negotiated wage increases averaged 2.3 percent annually.

In FY 2005-06, insurance expenditures comprised approximately 63 percent of total benefits. According to the Treasurer's assumptions, insurance costs are projected to increase by 15 percent annually from FY 2007-08 to FY 2010-11. However, assuming the Treasurer applied the same percentage that retirement comprised of personal services in FY 2006-07 to the remaining years, insurance expenditures are projected to only increase by approximately 10 percent annually from FY 2007-08 to FY 2010-11. Furthermore, the Treasurer does not explain the basis for forecasting insurance expenditures to increase by 15 percent per year in the forecast assumptions (see **R2.4**).

AOS Technical Bulletin 98-015 states that when making assumptions on personal services and retirement and insurance benefits, the amounts for salaries and benefits should be based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases should be used. Any significant additions or deletions should be addressed, such as the opening of a new building, the implementation of an early retirement incentive program or a significant reduction in force.

The District’s actual personal service expenditures in FY 2006-07 were only two percent lower than the Treasurer’s projections. However, by failing to account for some level of negotiated wage increase, the projections appear unrealistic, based on historical trends. Additionally, the District is required to reopen negotiations with the certificated and classified bargaining units for FY 2007-08. Therefore, in order to balance the likelihood of future salary increases with the District’s financial condition, personal service projections have been revised to include a two percent negotiated wage increase to base salaries. This is similar to the average increase in base wages from FY 2001-02 to FY 2006-07.

Table 2-7 compares the revised projections to the District’s original forecast. It should be noted that the District’s methodology for projecting step increases was not reviewed for reasonableness.

Table 2-7: AOS Projections for Personal Services and Benefits

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
District Personal Service Projections	\$7,834,484	\$8,040,068	\$8,061,665	\$8,133,302	\$8,201,508
Revised Personal Services Projections	\$7,834,484	\$8,200,885	\$8,364,903	\$8,532,201	\$8,702,845
Difference	\$0	(\$160,817)	(\$303,238)	(\$398,899)	(\$501,337)
District Benefit Projections	\$3,360,251	\$3,510,266	\$3,746,718	\$4,004,201	\$4,287,760
Revised Benefit Projections	\$3,360,251	\$3,537,605	\$3,798,268	\$4,072,014	\$4,372,987
Difference	\$0	(\$27,339)	(\$51,550)	(\$67,813)	(\$85,227)

Source: Rolling Hills LSD Five-Year Forecast, February 2007, and Auditor of State revisions.

R2.7 The District should adequately plan its annual textbook and instructional material purchases to comply with the spending requirements in ORC section 3315.17, or it should submit a waiver request. This would prevent the District from accruing a large liability that will place an unnecessary burden on future budgets and ensure that students are provided with updated instructional materials. The District should also update capital outlay projections to ensure compliance with the set-aside requirements in ORC section 3315.18. In addition, it should review spending in all funds for supplies and materials, and capital improvements to determine whether it can reallocate spending in a manner that minimizes the impact on the General Fund.

Supplies and materials include purchases of textbooks, library books, food/other related supplies, maintenance and repairs, and general supplies. **Table 2-8** provides the projected expenditures for supplies and materials.

Table 2-8: Analysis of Projected Supplies & Materials

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Average
Supplies & Materials	\$367,738	\$375,093	\$382,595	\$390,247	\$398,052	\$382,745
Annual Change	(\$16,907)	\$7,355	\$7,502	\$7,652	\$7,805	\$2,681
% Change	(4.4%)	2.0%	2.0%	2.0%	2.0%	0.7%

Source: Rolling Hills LSD October 2006 Five-Year Forecast

The District projects that expenses for supplies and materials will decrease by 4.4 percent in FY 2006-07, and increase by an average of 2 percent annually thereafter. According to the forecast notes, expenditures in this line item are based on historical patterns.

Table 2-9 presents the District's supply and material expenditures from FY 2001-02 to FY 2005-06.

Table 2-9: Analysis of Historical Supplies & Materials

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Average
Supplies & Materials	\$368,304	\$554,672	\$475,525	\$510,241	\$384,645	\$458,677
Annual Change	N/A	\$186,368	(\$79,147)	\$34,716	(\$125,596)	\$4,085
% Change	N/A	50.6%	-14.3%	7.3%	-24.6%	4.8%

Source: Rolling Hills LSD October 2006 Five-Year Forecast

Table 2-9 shows that the District's expenditures for supplies and materials fluctuated greatly during the five-year period. The largest increase of 51 percent occurred in FY 2002-03, while the largest decrease (25 percent) occurred in FY 2005-06. The Treasurer attributed the 51 percent increase in FY 2002-03 to the differences in processing summer purchases when compared to the previous Treasurer. Regardless, the District's projections for supplies and materials appear inconsistent with historical trends. In addition, the District's projections are not sufficient to meet set-aside requirements for textbooks and instructional materials.

Ohio Revised Code (ORC) section 3315.17 requires school districts to maintain a minimum level of spending in relation to its state funding formula amount for textbooks and instructional material. ORC section 3315.17 establishes a minimum threshold of three percent of the preceding year's state funding formula amount. According to ORC section 3315.17(B), if school districts spend more than the required minimum for set-asides, they may deduct the excess from future year requirements. ORC section 3315.17(A) states that funds not used to meet the set-aside requirement shall be carried forward to future years.

According to ORC 3315.17 (3), a school district in fiscal watch or fiscal caution status may apply to the superintendent of public instruction for a waiver from the set-aside requirements, enabling the district to spend less for textbooks and instructional materials in that year. School districts in fiscal emergency are not required to submit a waiver and instead, can independently decide to bypass the set-aside requirements.

Table 2-10 presents the District’s historical spending for set-asides.

Table 2-10: Rolling Hills LSD Set Aside Historical Analysis

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Set Aside Requirement	\$250,943	\$276,671	\$292,352	\$304,104	\$301,890
Carry Forward from Previous Year	(\$88,862)	\$52,198	\$94,144	\$191,275	\$361,008
Qualifying Disbursements	(\$109,883)	(\$234,725)	(\$195,221)	(\$134,371)	(\$117,238)
Ending Balance Required to be met in the Future	\$52,198	\$94,144	\$191,275	\$361,008	\$545,660

Source: Rolling Hills LSD FYs 02, 03, 04, 05, and 06 Financial Audits and ORC set aside requirements for school districts.

Table 2-10 shows the District did not meet set-aside requirements for textbooks and instructional materials in each year. As a result, the District accumulated a balance of approximately \$546,000 at the end of FY 2005-06.

Similar to supplies and materials, the District’s projections do not appear to meet set-aside requirements for capital outlay. According to the stated assumptions, the District projects capital outlay expenditures of \$100,000 for FY 2006-07 for new and replacement equipment, and \$250,000 annually thereafter for bus purchases and capital repairs.

Table 2-11 presents capital outlay spending from FY 2002-03 to FY 2005-06 in the General Fund and for all funds.

Table 2-11: Historical Capital Expenditures

	FY 2003	FY 2004	FY 2005	FY 2006
Capital Expenditures – General Fund	\$802,646	\$574,410	\$430,442	\$86,387
Capital Expenditures – All Funds	\$1,357,371	\$803,114	\$470,399	\$241,310

Source: Rolling Hills LSD October 2006 Five-Year Forecast

As shown in Table 2-11, the District significantly reduced capital outlay expenditures in each year.

ORC section 3315.18 establishes a minimum threshold of three percent of the preceding year’s state funding formula amount as the capital set-aside requirement. The District did not meet set-aside requirements for capital outlay in FY 2004-05 and FY 2005-06. Consequently, it accumulated a carry forward balance of approximately \$187,000 in

capital set-asides at the end of FY 2005-06. ORC 3315.18 (D) provides waiver requirements for capital set-asides similar to those in ORC 3315.17 for supplies and materials.

According to the Treasurer, ODE refused the District's waiver request. Therefore, projections for supplies and materials, and capital outlay will be adjusted by including amounts needed to eliminate the carry-forward balance at the end of FY 2005-06 and to meet the set-aside requirements for each subsequent year. Revised supply and material projections also include non-qualifying expenditures, based on the average non-qualifying expenditures from FY 2001-02 to FY 2005-06. Furthermore, future set-aside requirements for instructional and capital expenditures are estimated based on the State's per pupil funding formula and the District's enrollment trends from FY 2001-02 to FY 2005-06.

While the assumptions have been revised to ensure compliance with set-aside requirements, the District may be able to minimize overall supply and material expenditures in the General Fund and still meet future set-aside requirements by reviewing the composition of spending in all funds and determining whether it can reallocate resources accordingly. For example, the General Fund only accounted for 47 percent of total expenditures for supplies and materials in FY 2005-06. Similarly, **Table 2-11** illustrates that the District used non-General Fund resources for capital outlay purposes, although spending has declined significantly since FY 2002-03.

Table 2-12 presents the revised projections for supplies and materials, and capital outlay, and compares them to the District's original projections.

Table 2-12: Revised Supply, Material & Capital Expenditures

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
District Supplies and Materials	\$367,738	\$375,093	\$382,595	\$390,247	\$398,052
District Capital Expenditures	\$100,000	\$250,000	\$250,000	\$250,000	\$250,000
Total District Projections	\$467,738	\$625,093	\$632,595	\$640,247	\$648,052
Revised Supplies and Materials	\$710,254	\$722,432	\$735,104	\$748,290	\$762,010
Revised Capital Expenditures	\$344,896	\$352,824	\$360,679	\$368,813	\$377,111
Total Revised Projections	\$1,055,150	\$1,075,256	\$1,095,783	\$1,117,103	\$1,139,121
Difference	(\$587,412)	(\$450,163)	(\$463,188)	(\$476,856)	(\$491,069)

Source: Rolling Hills LSD and AOS

Budgeting

R2.8 Rolling Hills LSD should establish and communicate formal procedures for coordinating the budget process and adhering to its Board policies. This should include general policy guidelines, budget preparation instructions, and a comprehensive budget calendar. Developing formal procedures would better ensure that the budget is prepared in a manner consistent with internal policies, statutory requirements, collective bargaining agreements, and the desires of the Board and other stakeholders. Furthermore, the District should prepare a formal budget that includes key elements suggested by GFOA.

By including the GFOA elements in its budget document, the District would provide stakeholders with a clearer and more thorough understanding of the budget and its relationship to the strategic plan and five-year forecast.

The Treasurer prepares a financial plan and budget with no assistance from other administrators, board members, or committees. The Treasurer does not have formally documented procedures for the budgeting process, including preparation and adoption. Instead, budget development is primarily based on historical information. The Treasurer reviews each line item and typically inflates them by approximately two percent each year. The Treasurer indicates that he takes into account staffing, salary, and benefit changes, and makes budget cuts/reductions as needed. Furthermore, the District does not prepare a formal budget document.

Board Policy states that in order to achieve the function of his/her position, the Superintendent shall be responsible for assisting in the preparation of the budget with the Treasurer. In addition, it states the Treasurer shall work cooperatively with the administrative staff towards the achievement of District objectives.

GFOA recommends that governments establish an administrative structure that facilitates the preparation and approval of a budget in a timely manner. More specifically, GFOA recommends the following practices for developing the budget:

- *Developing a Budget Calendar:* A government should publish a comprehensive budget calendar that specifies budget tasks and identifies completion deadlines. Stakeholders need to be aware of when key budget tasks, events, and decisions will occur so they have an opportunity to plan and to participate in the process. The preparation of a calendar helps ensure consideration of all aspects of the budget process and adequate time has been provided.

- *Develop Budget Guidelines and Instructions:* A government should prepare general policy guidelines and budget preparation instructions for each budget cycle. Budget guidelines and instructions help ensure the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body.
- *Develop Mechanisms for Coordinating Budget Preparation and Review:* A government should develop mechanisms and assign responsibilities to provide for overall coordination of the preparation and review of the budget. Governments need coordination to ensure that processes move forward as planned, to prevent confusion and misinformation, and to ensure appropriate stakeholders are involved.
- *Develop Procedures to Facilitate Budget Review, Discussion, Modification, and Adoption:* A government should develop and implement a set of procedures that facilitates the review, discussion, modification, and adoption of a proposed budget. Governments need appropriate procedures to resolve conflicts, promote acceptance of the proposed budget by stakeholders, and assist in timely adoption of the budget.
- *Identify Opportunities for Stakeholder Input:* A government should provide opportunities in the budget process for obtaining stakeholder input. By definition, stakeholders are affected by a government's resource allocation plans and service and program decisions. Input helps ensure the identification of stakeholder priorities and enhances stakeholder support for the approved budget. See **R2.9** for more information.

GFOA also recommends that governments prepare and adopt a budget that includes the following elements:

- A description of key programmatic and financial policies, plans, and goals;
- Identification of key issues and decisions;
- A description of the short-term and long-term financial plan of the government;
- A guide to the programs the government operates and the organizational structure in place to provide those programs;
- A description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report; and
- A concise summary of key issues, choices and financial trends (GFOA recommends governments prepare a summary of both the proposed and final budget).

GFOA further recommends that performance measures be presented in basic budget materials, including the operating budget document, and be available to stakeholders. At least some of these measures should document progress toward the achievement of previously developed goals and objectives (see **R3.1** and **R3.3**).

R2.9 Rolling Hills LSD should assess and identify community and stakeholder needs, concerns and priorities. This effort can be aided by the promotion of stakeholder participation.

The District establishes broad goals to guide decision-making when developing the budget. According to the Treasurer, it develops broad goals because of revenue limits. However, the District does not assess community needs when developing the budget. In addition, the District does not identify stakeholder concerns, needs, or priorities when establishing budget goals. The Treasurer monitors and evaluates the budget on a monthly basis and makes adjustments as necessary. The Treasurer also adjusts the District's financial plans and goals as necessary.

According to GFOA, a government should have broad goals that provide overall direction and serve as a basis for decision-making. A government should develop an understanding of the condition of the community as well as trends and issues that may affect it in the future. This process requires an examination and assessment of stakeholder issues, concerns, needs, and desires. In addition, the government should identify factors that affect the community and stakeholders. These include the state of the economy, the composition of the population, technology, legal or regulatory issues, intergovernmental issues, and physical or environmental issues. A government should direct its limited resources in a manner consistent with the concerns, needs, and priorities of stakeholders; thus, a government must be aware of those issues. A government must have an understanding of the issues and trends affecting a community in order to establish the most appropriate goals. This practice provides for a series of mechanisms to promote stakeholder participation in discussing and communicating values and issues that are of concern to them. Among the mechanisms that a government should consider are public hearings, surveys, meetings of leading citizens and citizen interest groups, government strategic planning processes, meetings with government employees, and workshops involving administrative staff and/or the legislative body.

By evaluating and identifying community and stakeholder needs, priorities, and concerns, the District would better ensure that it directs its resources to the appropriate areas.

Financial Policies, Reporting and External Involvement

R2.10 Rolling Hills LSD should develop a comprehensive set of financial policies that are consistent with broad government goals and should be the outcome of sound analysis. Specifically, the District should develop financial policies for fixed assets, stabilization of funds, debt level and capacity, use of one-time revenues, use of unpredictable revenues, revenue diversification, and contingency planning.

According to the Treasurer, the District does not develop financial policies consistent with its goals. Although the District has financial policies, it does not review, alter, or update those policies on a regular basis. Additionally, the District lacks GFOA recommended policies in the following areas:

- Fixed Assets,
- Stabilization of Funds,
- Debt Level and Capacity,
- Use of One-Time Revenues,
- Use of Unpredictable Revenues,
- Revenue Diversification, and
- Contingency Planning.

GFOA recommends that governments have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals. A government should develop and adopt a set of comprehensive financial policies consistent with broad goals. Financial policies should cover the aforementioned areas lacking at the District.

R2.11 The District should develop and distribute written procedures for critical accounting processes. In addition, it should prepare and publish a comprehensive annual financial report (CAFR) and popular annual financial report (PAFR), and publish and distribute financial statements in conformance with Generally Accepted Accounting Principles. The District should post CAFRs, PAFRs and other related financial reports on its website to increase stakeholder access.

The Auditor of State - Local Government Services (LGS) provides Generally Accepted Accounting Principle (GAAP) statements for Rolling Hills LSD. The District obtains an annual independent audit of its financial statements. However, it does not publish a comprehensive or popular annual financial report, and does not post financial reports on its website. In addition, it does not have written policies and procedures for critical accounting processes or financial staff ethics.

OPPAGA recommends that managers develop and distribute written procedures for critical accounting processes and promote ethical financial management practices. These processes should address:

- Identification and description of principal accounting records;
- Standard accounting and journal entries, including requirements for supporting documentation;
- Identification of positions that approve accounting and journal entries prior to entry; and
- Instructions for determining appropriate cutoffs and closing of accounts for each accounting period.

Governmental Accounting, Auditing, and Financial Reporting Practices (GFOA, 1983, 1997, and 2006), recommends that state and local governments not only issue basic financial statements, but also publish comprehensive annual financial reports. GFOA also encourages governments to supplement their CAFRs with simpler “popular” reports designed to assist those who need or desire a less detailed overview of a government’s financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. Furthermore, GFOA recommends that every government publish budgetary information and financial reports on its website. Lastly, GFOA recommends that every government document its accounting policies and procedures.

The Association of Government Accountants (AGA) Ethics Handbook provides a framework for AGA members and non-members to exercise the highest standards of professionalism and personal conduct to best serve the public interest. The handbook outlines standards of behavior and conduct by AGA members and non-members, addresses ethics inquiries and investigations, and describes disciplinary procedures.

By having formal accounting procedures in place, the District would provide a guide and reference document for staff. This, in turn, would increase assurance of staff following the appropriate procedures. Additionally, issuing a CAFR and PAFR would increase communication of its financial condition to its stakeholders. Finally, the establishment of ethical standards would instill greater public confidence in the District’s handling of financial matters.

R2.12 Rolling Hills LSD should activate its audit committee. The audit committee should follow guidelines from relevant organizations, such as the Treadway Commission and AICPA.

The District has an audit committee that includes two members of the Board. According to the financial audit Management Letter issued by the Auditor of State on March 24, 2004, the District established an audit committee in January 2001. However, according to the Management Letter, the committee did not convene after it was established. The Treasurer also noted the audit committee does not actively participate in audit-related discussions and important meetings.

The Auditor of State conducted financial audits for Rolling Hills LSD for FY 2002-03, FY 2003-04, and FY 2004-05. The FY 2002-03 audit cited no matters involving internal control weaknesses; however, the financial audits from FY 2003-04 and FY 2004-05 cited material weakness issues. The District either has addressed the material issues and rectified the findings or is currently in the process of doing so.

According to the March 24, 2004 Management Letter, the National Commission on Fraudulent Financial Reporting, or the Treadway Commission, has stated that audit committees can serve as effective overseers of the financial reporting process and internal controls. The Management Letter also notes that an audit committee should periodically review the process used to prepare interim financial information submitted to the Board of Education, review audit results, assure audit recommendations are appropriately addressed, and serve as a liaison between management and independent auditors. The audit committee should meet regularly to monitor the District's financial reporting and control activities. The audit committee should also meet after the post audit conference to review audit results and assure it addresses recommendations appropriately.

The American Institute of Certified Public Accountants (AICPA) states that a key element in the corporate governance process of any organization is its audit committee. Furthermore, the challenge to uphold financial statement integrity and reliability depends on balancing pressures of multiple stakeholders, including management, regulators, investors, and the public interest. Therefore, the AICPA recommends that audit committees conduct self-evaluations to assist in achieving best practices for managing its role.

R2.13 Rolling Hills LSD should establish a finance committee. Doing so would help support the Treasurer and provide additional advice on significant budget-related decisions.

The District does not have a finance committee; therefore, the Treasurer is responsible for all of the District's financial decisions. In contrast, Olentangy Local School District (Olentangy LSD), located in Lewis Center, Ohio, has established a finance committee to assist its Board of Education in a financial advisory role and bring an increased community perspective to its finances. Olentangy LSD's finance committee consists of Board members, the Treasurer, Assistant Treasurer, and several community members

selected by the Board. The finance committee is neither intended to participate in daily operations/decisions within the treasurer’s office, nor is it intended to address state school funding issues. Some specific tasks of the finance committee include:

- Annually reviewing the forecast assumptions made by the Treasurer which lead to the financial projections included in its Five-Year Forecast.
- Sharing business and financial best practices from the private and public sectors, and recommending operational efficiencies.
- Reviewing the schedule of levies (timing and estimated millage amounts) based on the most current five-year projections and advising the Board of Education.
- Preparing and presenting reports on committee activities to the Board of Education at public meetings.

Olentangy LSD’s finance committee members serve two-year renewable terms and meet on an as needed basis, depending on the outlined tasks.

By establishing and utilizing the services of a finance committee, Rolling Hills LSD would help ensure that it thoroughly analyzes and reviews important financial issues before making budget decisions.

Payroll

R2.14 Rolling Hills LSD should create written procedures for the payroll process. Doing so would increase the control environment and serve as a reference guide for staff.

Board Policy addresses payroll and salary deductions, and the payroll function has procedures in place to verify payroll and deductions. The Treasurer’s Office verifies payroll against spreadsheet documentation, and the Treasurer regularly reviews all payroll processes. However, the District does not have written controls over the payroll process.

According to OPPAGA, school districts should have effective controls over their payroll processes to ensure:

- Appropriate and timely reporting and remitting of federal payroll taxes to appropriate agencies;
- Appropriate and timely reporting of other payroll deductions, such as health insurance premiums;

- Appropriate and timely reporting of payroll and attendance information to employees;
- Compliance with federal, state, and district laws, rules, and policies; and
- Proper charging of salary costs to the correct accounting codes.

Without detailed, written policies and procedures for these processes, employee expectations and responsibilities could become unclear or distorted. This, in turn, exposes the District to a greater risk of impropriety.

R2.15 Rolling Hills LSD should expand the use of direct deposit and consider negotiating mandatory direct deposit in future collective bargaining agreements to increase automation, improve efficiency, and reduce costs. The District should also consider using electronic mailing capabilities to provide payment statements to its employees.

The District uses direct deposit to pay a portion of its employees; however, direct deposit is not mandatory. While the District's goal is for all employees to enroll in direct deposit, as of FY 2006-07, approximately 70 employees of 380 were enrolled. The District mails all other paychecks to the employees' homes, and mails payment statements to the homes of employees enrolled in direct deposit. The District could email statements to eliminate paper costs and mailing costs.

According to the publication *Accounting Best Practices* (John Wiley & Sons, Inc., 2005), companies should take advantage of direct deposit. Using direct deposit can help eliminate some of the steps involved in issuing paychecks, including the following:

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

Besides avoiding some of the steps involved with issuing paychecks, it carries the additional advantage of depositing money into employee bank accounts so that those employees who are offsite on payday are not concerned with how they will receive their money. In addition, direct deposit allows for payments to appear in employees' checking accounts automatically with no effort on their part.

Financial Recovery Plan

R2.16 Rolling Hills LSD should analyze and use the financial recovery plan outlined in Table 2-13 to evaluate the proposed recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit along with other strategies to improve its current and future financial condition. Finally, the District should update its financial recovery plan on a continual basis as critical financial issues are addressed.

Table 2-13 demonstrates the effect of the revised assumptions on the District's projected ending fund balances (see **R2.5** to **R2.7**). **Table 2-13** also shows the impact of the recommendations in the performance audit by presenting the projected fund balances, assuming District implementation of all recommendations.

Table 2-13: Revised Financial Forecast with Adjustments (in 000's)

Line Item	Actual 2003-04	Actual 2004-05	Actual 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11
Real Estate Property Tax	\$3,425	\$3,489	\$3,712	\$3,861	\$4,015	\$4,176	\$4,343	\$4,516
Tangible Personal Property Tax	\$1,732	\$1,575	\$1,397	\$968	\$596	\$277	\$0	\$0
Unrestricted Grants-in-Aid	\$8,395	\$8,466	\$8,474	\$8,275	\$8,275	\$8,275	\$8,275	\$8,275
Restricted Grants-in-Aid	\$242	\$183	\$229	\$220	\$220	\$220	\$220	\$220
Property Tax Allocation	\$457	\$476	\$604	\$978	\$1,303	\$1,561	\$1,780	\$1,780
All Other Operating Revenue	\$522	\$624	\$707	\$727	\$727	\$727	\$727	\$727
Total Operating Revenue	\$14,773	\$14,813	\$15,124	\$15,029	\$15,136	\$15,236	\$15,345	\$15,518
Advances-In	\$0	\$0	\$0	\$7	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$146	\$50	\$0	\$7	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$14,919	\$14,863	\$15,124	\$15,043	\$15,136	\$15,236	\$15,345	\$15,518
Personal Services	\$8,247	\$8,443	\$8,068	\$7,834	\$8,201	\$8,365	\$8,532	\$8,703
Fringe Benefits	\$3,037	\$2,939	\$3,289	\$3,360	\$3,538	\$3,798	\$4,072	\$4,373
Purchased Services	\$2,412	\$2,708	\$2,689	\$2,001	\$2,041	\$2,082	\$2,123	\$2,166
Supplies and Materials	\$476	\$510	\$385	\$710	\$722	\$735	\$748	\$762
Capital Outlay	\$574	\$430	\$86	\$345	\$353	\$361	\$369	\$377
Debt Service	\$114	\$103	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$205	\$199	\$283	\$1,017	\$1,017	\$1,017	\$1,017	\$1,017
Total Expenditures	\$15,066	\$15,333	\$14,800	\$15,267	\$15,872	\$16,358	\$16,861	\$17,398
Total Other Financing Uses	\$406	\$200	\$18	\$11	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$15,472	\$15,533	\$14,818	\$15,278	\$15,872	\$16,358	\$16,861	\$17,398
Result of Operations (Net)	(\$553)	(\$670)	\$306	(\$235)	(\$736)	(\$1,122)	(\$1,517)	(\$1,880)
Beginning Cash Balance	\$1,234	\$681	(\$99)	\$214	(\$21)	(\$757)	(\$1,879)	(\$3,396)
Ending Cash Balance	\$681	\$11	\$214	(\$21)	(\$757)	(\$1,879)	(\$3,396)	(\$5,276)
Outstanding Encumbrances	\$271	\$294	\$115	\$150	\$150	\$150	\$150	\$150
Fund Balance	\$410	(\$283)	\$99	(\$171)	(\$907)	(\$2,029)	(\$3,546)	(\$5,426)
Cumulative Effect of Performance Audit Recommendations	N/A	N/A	N/A	N/A	N/A	\$1,760	\$3,575	\$5,475
Adjusted Fund Balance	\$410	(\$283)	\$99	(\$171)¹	(\$907)	(\$269)	\$29	\$49

Source: District and AOS

¹ The District reported an actual ending fund balance at the end of FY 2006-07 of approximately (\$41,000), which reflects the District's set-asides for capital and textbooks. Because these set-asides were not tested for reasonableness, AOS adjusted the District's projections to include set-aside requirements (see R2.7), and the difference when compared to the adjusted AOS ending fund balance appears immaterial, Table 2-13 carries forward the projected ending balance for FY 2006-07.

Table 2-13 shows that the District would achieve financial solvency by implementing all of the performance audit recommendations. However, teacher and ESP staffing reductions comprise approximately 86 percent of the savings related to the performance audit recommendations (see **R3.2** in **human resources**), and would result in the District operating at state minimum standards. Therefore, if the District and community choose to continue operating above state minimum standards for regular education and ESP, additional strategies will be needed to reduce costs or increase revenues. For example, the District may be able to reduce more than the three buses identified in **R5.2** in the **transportation** section. Moreover, in addition to altering plan benefits, the District may need to increase employee contributions toward health insurance premiums. **Table 2-13** includes only the impact of altering plan benefits.

Table 2-13 also includes the annual costs of replacing computers on a five-year cycle (see **R6.1** in **technology**). When excluding these costs, the District is projected to have positive ending fund balances of approximately \$255,000 in FY 2009-10 and \$392,000 in FY 2010-11. Depending upon a review of spending in all funds (see **R2.7**), the District may be able to use non-General Fund sources to help replace computers (see **Table 2-11**). Additionally, capital outlay projections were revised to ensure compliance with set-aside requirements (see **R2.7**), which may help account for future computer replacements. Finally, timing related to the implementation of the performance audit recommendations and other cost-saving actions would impact the projected ending fund balances in **Table 2-13**. For instance, the recovery plan does not include the impact of performance audit recommendations until FY 2008-09 to provide a conservative projection.

Human Resources

Background

This section of the performance audit focuses on human resource operations at Rolling Hills Local School District (RHLSLSD). The objective is to analyze human resource operations and develop recommendations for operational improvements and reductions in expenditures. Data from applicable sources, including the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), the Ohio School Boards Association (OSBA), and the Government Finance Officers Association (GFOA), was used for comparisons throughout the section. Information from peer school districts was also used for benchmarking purposes throughout this section of the report. The peer districts include Celina City School District (CCSD), Garaway Local School District (GLSD), Indian Valley Local School District (IVLSD), Leipsic Local School District I (LLSD), New London Local School District (NLLSD), New Riegel Local School District (NRLSD), Ridgewood Local School District (RLSD), Southeast Local School District (SELSD), Springfield Local School District (SLSD), and Symmes Valley Local School District (SVLSD). These ten districts are classified in the same demographic category as RHLSLSD (Rural/Agricultural – high poverty, low median income) by the Ohio Department of Education (ODE). In addition, these ten school districts met a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, a survey of RHLSLSD employees was administered to gauge opinions regarding human resource services. The results of the survey are included in **Appendix 3-A**.

Organizational Structure and Function

RHLSLSD does not have a separate department dedicated to human resource (HR) functions. The Superintendent, Treasurer, and secretarial assistants complete the primary responsibilities. The Superintendent is the primary staff member who oversees human resource functions and delegates duties to other staff. Due to the District's financial situation, key administrative staffing levels are lower than in prior years and duties have been redirected to other administrative staff.

RHLSLSD has two collective bargaining units. A negotiated agreement between the Rolling Hills Board of Education (the Board) and Rolling Hills Education Association governs certificated personnel, while an agreement between the Board and the Ohio Association of Public School Employees/ASFCME/AFL-CIO and its Local #258 covers classified staff.

Staffing

Table 3-1 illustrates the actual full-time equivalent (FTE) staffing levels at RHLSD and the average of the peer districts as reported to ODE through the Education Management Information System (EMIS) for FY 2005-06. The FTEs in **Table 3-1** are also presented on a per 1,000 students basis because staffing levels are largely dependent on the number of students served.

Table 3-1: FTE Staffing Levels for FY 2005-06

Category	Rolling Hills LSD		Peer Average		Differences	
	FTEs ¹	Per 1,000	FTEs ²	Per 1,000	FTEs	Per 1,000
Administrators:	12.70	6.43	8.49	6.74	4.21	(0.31)
Site Based Administrators	7.00	3.54	3.86	3.01	3.14	0.53
Central Administrators	5.70	2.88	4.63	3.73	1.07	(0.85)
Educational Staff:	136.58	69.12	93.20	72.93	43.38	(3.81)
Curriculum Specialist	0.00	0.00	0.20	0.20	(0.20)	(0.20)
Counselors	4.00	2.02	2.13	1.74	1.87	0.28
Librarian / Media	1.00	0.51	0.93	0.94	0.07	(0.43)
Remedial Specialist	4.00	2.02	3.81	2.46	0.19	(0.44)
Regular Teachers	95.58	48.37	62.10	49.15	33.48	(0.78)
Special Education Teachers	14.00	7.09	11.87	9.05	2.13	(1.96)
Vocational Teachers	5.00	2.53	3.49	2.44	1.51	0.09
Tutor/Small Group Instructors	0.00	0.00	2.51	1.71	(2.51)	(1.71)
ESP Teachers	13.00	6.58	3.91	3.88	9.09	2.70
Supplemental Special Education	0.00	0.00	1.85	1.20	(1.85)	(1.20)
All Other Educational Staff	0.00	0.00	0.40	0.16	(0.40)	(0.16)
Professional Staff:	1.00	0.51	1.74	1.05	(0.74)	(0.54)
Psychologists	0.00	0.00	0.20	0.12	(0.20)	(0.12)
Registered Nurses	1.00	0.51	0.50	0.32	0.50	0.19
Speech & Language Therapists	0.00	0.00	0.69	0.39	(0.69)	(0.39)
All Other Professional Staff	0.00	0.00	0.35	0.23	(0.35)	(0.23)
Technical Staff:	7.50	3.80	5.68	3.95	1.82	(0.15)
Computer Support	0.00	0.00	0.24	0.29	(0.24)	(0.29)
Practical Nurses	1.00	0.51	0.24	0.16	0.76	0.35
Library Technicians / Aides	0.00	0.00	0.78	0.43	(0.78)	(0.43)
Instruct. Paraprofessionals	6.50	3.29	3.72	2.65	2.78	0.64
All Other Technical Staff	0.00	0.00	0.70	0.43	(0.70)	(0.43)
Office / Clerical Staff:	33.83	17.12	12.64	10.08	21.19	7.04
Clerical	9.00	4.55	6.51	4.91	2.49	(0.36)
Teaching Aide	19.83	10.04	4.31	3.65	15.52	6.39
All Other Office / Clerical Staff	5.00	2.53	1.82	1.53	3.18	1.00
Maintenance/Mechanics	4.00	2.02	2.85	2.27	1.15	(0.25)
Custodians/Groundskeepers	17.50	8.86	8.55	6.40	8.95	2.46
Bus Drivers	20.00	10.12	13.18	11.14	6.82	(1.02)
Food Service Workers	15.78	7.99	9.83	8.09	5.95	(0.10)
All Other Reported Personnel	1.67	0.85	2.15	1.24	(0.48)	(0.39)
Total FTE Reported	250.56	126.80	158.31	123.91	92.25	2.89

Source: FY 2005-06 EMIS reports and Student Enrollment Reports from RHLSD and the peer districts

Note: RHLSD's FY 2006-07 EMIS report (November 2006) became available during the course of this performance audit. It was used to account for staffing changes that impacted recommendations (see R3.2). In general, the FY 2006-07 EMIS report did not significantly impact the staffing conclusions in this performance audit. Specifically, the District reported 248.93 FTEs in FY 2006-07, including 13.95 administrators, 128.09 educational staff, 2.70 professional staff, 7.15 technical staff, 34.14 office/clerical staff, 4.00 maintenance, 18.10 custodians, 21.00 bus drivers, 17.13 food service workers, and 2.67 all other.

As illustrated in **Table 3-1**, RHLSD has higher FTE staffing levels per 1,000 students in the following categories:

- **Site Based Administrators:** The District employs 0.53 more site-based administrators per 1,000 students than the peer average. However, the District employs 0.85 fewer central administrators per 1,000 students, which results in the District employing 0.31 fewer total administrators per 1,000 students. Furthermore, the higher number of site-based administrators can be partially attributed to differences in the assignment of job functions to administrative staff. For example, the principal for Byesville Elementary also serves as the District's Title I coordinator.
- **Counselors, ESP Teachers, and Nurses:** RHLSD employs 0.28 more counselors per 1,000 students, 2.70 more ESP teachers per 1,000 students, and 0.19 more registered nurses per 1,000 students when compared to the respective peer averages. Ohio (ORC) § 3317.32(a) (2) identifies these classifications as educational service personnel staff (ESP). The District also employs 0.35 more practical nurses per 1,000 students (See **R3.2**).
- **Vocational Education Teachers:** The District employs approximately 0.09 more vocational education teachers than the peer average. This slight variance equates to less than 0.20 total FTEs and is an insignificant difference.
- **Instructional Paraprofessionals/Teaching Aides:** RHLSD has 0.64 more instructional paraprofessionals per 1,000 students and 6.39 more teaching aides per 1,000 students when compared to the respective peer averages. However, the District funds 12 of its 19.8 teaching aides and all 6.5 instructional paraprofessionals with federal monies. When including only the 7.8 remaining teaching aides, the District employs 3.9 FTEs per 1,000 students. This is 38 percent lower than the combined peer average for instructional paraprofessionals and teaching aides per 1,000 students (6.3). Additionally, the District uses teaching aides to help support its special education program. However, it employs fewer special education teachers than required by OAC § 3301-51-09 (see **R3.14**).
- **Other Clerical Staff:** The District employs 1.0 more other clerical FTE per 1,000 students than the peer average. However, when including similar clerical classifications, the District employs 6.6 total clerical FTEs per 1,000 students, which is similar to the peer average (6.4). Furthermore, RHLSD codes a supplemental salary position that performs substitute tracking in the clerical position code (see **R3.13**).
- **Custodians/Groundskeepers:** The District employs 2.46 more custodians/groundskeepers per 1,000 students than the peer average. See the **facilities** section for a further assessment based on FY 2006-07 staffing levels for this category as well as the maintenance staff.

Assessments Not Yielding Recommendations

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

- **Average Salaries:** RHLSD's average salaries during FY 2005-06 were lower than the peer average in each general classification (administrative, educational, professional, technical, office/clerical, maintenance, operative, and service worker), with the exception of professional staff which were 0.8 percent higher than the peer average. Overall, the District's salaries were below the peer average by 5.6 percent. During FY 2005-06, District personnel did not receive a negotiated wage increase or step increase due to financial difficulties. Additionally, RHLSD's overall average salaries were below the county and state averages in FY 2004-05 by 3 and 11 percent, respectively.
- **Retirement Pick up of Employee Contributions:** The District pays the employee retirement contribution for its Superintendent and Treasurer. No other employees receive this benefit and overall administrative salaries are below the peer, county, and state averages.
- **Substitute Rate:** RHLSD's daily rate for substitute pay of \$75 is equal to the county average.
- **Collective Bargaining Process:** The District has appropriate procedures for the collective bargaining process, such as establishing negotiation teams, defining the roles and responsibilities of negotiators, and identifying potential issues of concern.
- **Human Resource Software:** RHLSD utilizes human resource software that appears appropriate for its size and the number of employees. Although a more comprehensive HRIS package could increase efficiency, the District does not have the financial resources available to purchase and implement such a system (see **financial systems**).
- **Board Training, Communication, and Policies:** RHLSD's Board members have received orientation training to help them become effective board members. The Board has established clear policies for communication between staff and stakeholders. Additionally, the Board has routinely updated policies to ensure they remain current.
- **At Risk Program:** The District has a process to identify, monitor and assess at risk students. The District also has a plan to oversee the program, and solicit teacher and student input on the effectiveness of the program. RHLSD has an activity schedule for parents to become involved and administers a parent survey to solicit feedback on the

programs offered. Lastly, the District works with outside resources, such as Head Start and the Ohio Valley Education Service Center (ESC), to meet its program needs.

- **Gifted Program:** The District has a plan to guide administration of the gifted program. For FY 2006-07, the Board adopted ODE's Model Policy for Accelerated Programs in order to comply with HB 66 legislation. Additionally, the District submitted its "Self-report on Identification and Services for Students Who Are Gifted" to ODE, as required by OAC § 3301-51-15.
- **Career Technical Program:** RHLSD relies on the County Joint Vocation School District to provide career technical courses for its students. RHLSD also offers vocational agriculture, consumer and family education, and career-based intervention (formerly OWE/OWA) within the District. The District employs a number of vocational teachers per 1,000 students (2.53) similar to the peer average (2.44). In addition, the District spent \$188 per student in FY 2004-05 and \$192 per student in FY 2005-06 in governmental funds for vocational education, both of which were lower than the peer average of \$219 in FY 2004-05.

Noteworthy Accomplishments

During the course of this performance audit, AOS identified the following noteworthy accomplishment:

- **Workers' Compensation:** The District reduced its experience rating from 0.96 in calendar year (CY) 2005, to 0.67 in CY 2006. This is well below the expected experience rating of 1.0 from the Ohio Bureau of Worker's Compensation (BWC).

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 the auditor does not review within the scope of the audit. AOS has identified staffing assignments to EMIS reporting as an issue for further study. Specifically, the District eliminated its EMIS coordinator position and reassigned the duties to the Treasurer. EMIS is used to determine state funding levels and can help the District assess data when making important decisions. Therefore, the District should ensure that the Treasurer's Office is provided with sufficient training on EMIS, and that sufficient resources are allocated to the EMIS function. For instance, based on the FY 2006-07 EMIS report, the District increased administrator staffing by approximately 1.0 FTE since FY 2005-06. This results in the District employing 7.06 administrator FTEs per 1,000 students, which is slightly higher than the peer average of 6.74 in FY 2005-06.

Recommendations

Staffing

R3.1 RHLSD should consider developing a formal staffing plan to address current and future staffing needs, including staffing allocations for all personnel classifications. This would help ensure RHLSD proactively addresses its needs and complies with state and federal requirements. Likewise, the plan will illustrate how staffing and the related costs affect the District's financial condition. When developing its staffing plan, the District should review the other sections of this performance audit because they contain variables (e.g., workload measures and enrollment projections) that should be considered when analyzing staffing levels for the District's specific operations.

RHLSD does not have a formal staffing plan that addresses all personnel. Instead, the District works with its building principals to address staffing needs, budgetary decisions, and statutory staffing requirements.

Tulsa Public Schools (TPS) has established an approach for developing a staffing plan which assists in making staffing decisions and establishes workload measures. TPS's staffing plan incorporates staff allocation factors such as state and federal regulations, workload measures, industry benchmarks, and staffing levels determined by its administration. In its plan, TPS benchmarks staffing against General Fund revenues to help maintain a focus on a balanced budget. The plan uses actual ADM (average daily membership) as a guide to determine staffing levels on a midyear and an annual basis. This approach helps TPS identify staff overages or shortages in each staffing category.

Without a staffing plan that includes all personnel, RHLSD may not be staffed in a manner designed to achieve its academic mission, meet operational needs, and comply with legal and budgetary requirements.¹ Minimum staffing levels for classroom teachers, educational service personnel (ESP), and principals, as well as instructors and aides involved in the delivery of services for students with special needs are governed by OAC § 3301-35-05 and OAC § 3301-51-09, respectively. Ensuring adequate and efficient staffing levels through a formal staffing plan can have a significant impact on the

¹ ORC § 5705.412 states "no school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate, signed as required by this section, that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in its adopted school calendars for the current fiscal year and for a number of days in succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year." In addition, ORC § 5705.412 states that "a certificate attached, in accordance with this section, to any qualifying contract shall cover the term of that contract."

District's financial condition. RHLSD expended 76 percent of the General Fund for salaries and benefits in FY 2005-06

R3.2 To address its financial condition (see financial systems), RHLSD should consider eliminating several regular teaching and Educational Service Personnel (ESP) positions. The District could reduce regular teaching staffing by up to 20 FTEs and ESP staffing by up to 8 FTEs and still comply with the state minimum requirements in OAC § 3301-35-05. However, the District should weigh decisions to reduce teacher and ESP staffing levels against the potential impact the reductions may have on the District's educational outcomes.

Table 3-2 compares the District's regular teacher staffing levels to the peer average, based on the number of regular education students and total students.

Table 3-2: FY 2005-06 Regular Teacher Analysis

	Rolling Hills LSD	Peer Average	Difference
Regular Students per Regular Teacher	16.5	17.2	(4.1%)
Performance Indicators Met (out of 23)	11.0	20.1	(45.3%)
Performance Index (out of 120)	89.7	97.6	(8.1%)

Source: FY 2005-06 EMIS Reports for RHLSD and peer districts, FY 2005-06 Enrollment Reports for RHLSD and peer districts, and FY 2005-06 Local Report Cards for RHLSD and peer districts.

As shown in **Table 3-2**, the District maintained slightly fewer regular students per regular teacher in FY 2005-06 when compared to the peer averages. However, it met fewer performance indicators and achieved a lower performance index score when compared to the peer average. The District employed 3.8 more regular teacher FTEs based on the number of regular students,. However, during FY 2005-06, the District made staff reductions of 12.5 regular teacher FTEs through attrition and early retirement incentives.

Although the District's regular teacher staffing levels are lower than the peer average after the 12.5 FTE reductions based on regular students, it still employs 20.5 more regular teacher FTEs than required by OAC § 3301-35-05. Specifically, OAC § 3301-35-05 requires school districts to employ at least one FTE classroom teacher for every 25 regular education students on a district-wide basis. By comparison, the District maintains a regular student-to-regular teacher ratio of approximately 19:1 after the reductions in FY 2005-06

Table 3-3 compares ESP staffing levels at the District to the peer average.

Table 3-3: ESP Staffing Analysis

	RHLSD FY 2006-07	Peer Average FY 2005-06	Difference
ESP Teachers ¹	11.0	3.9	7.1
Counselors	4.0	2.1	1.9
Librarian / Media Specialist	1.0	0.9	0.1
School Nurses	1.0	0.5	0.5
Total Education Service Personnel (FTE) ²	17.0	7.5	10.5
Total ESP per 1,000 Regular Students	10.5	8.1	2.4

Source: RHLSD and peer EMIS Reports

¹ESP teachers include grades K-8 teachers in art, music, and physical education.

²ESP Categories is defined by OAC 3301-35-05 and ORC 3317.023 to include ESP teachers (K-8), counselors, librarian/media specialists, school nurses, social workers, and visiting teachers.

As shown in **Table 3-3**, RHLSD employs 2.4 more ESP FTEs on a per 1,000 regular student basis. Based on the total number of students, the District employs three more ESP FTEs than the peer average. OAC § 3301-35-05(A) (4) requires school districts to employ a minimum of five education service personnel (ESP) for every 1,000 students in the regular student population. The District employs 8.9 more ESP FTEs than required by OAC § 3301-35-05(A) (4).

Financial Implication: By eliminating 20 FTE regular teaching positions, the District could save approximately \$930,000 annually in salaries and benefits. By eliminating 8 ESP FTE positions, the District could save approximately \$422,000 annually in salaries and benefits. These savings are based on the lower salaried regular teaching and ESP positions. Therefore, this estimate of savings would increase if the reduction occurred through retirements or voluntary separations of more experienced staff.

Health Insurance

R3.3 RHLSD should enhance the functions of its health insurance committee by establishing guidelines for cost containment that include plan design and cost sharing (see R3.4). The District should ensure that the committee carefully reviews these guidelines and provides recommendations for implementation. Doing so would help control and potentially reduce costs.

RHLSD's health plan is self-insured. The District contracts with a broker for consulting services and a third party administrator to manage the program. According to the Treasurer, the insurance broker bids the insurance carrier annually and the District chooses the carrier recommended by the broker.

The District has established an insurance committee through the collective bargaining agreements for its certificated and classified staff. This committee must meet twice each year during renewal time and consists of the Superintendent, Treasurer, and three representatives from each bargaining unit. However, the District lacks specific guidelines and cost containment strategies to assist in providing cost-effective health insurance.

GFOA recommends the following cost containment practices:

- *Plan Design:* Making incremental changes to the plan including adjusting co-payment and co-insurance, establishing eligibility requirements such as restricting insurance to full-time employees or setting dependent age limits, and evaluating managed care organizations;
- *Vendor Management:* Auditing claims to ensure that carriers or third party administrators pay benefits according to plan rules, verifying enrolled participants, positive re-enrollment, coordination of benefits, and periodic re-bidding of health care plan vendors such as brokers and third party administrators;
- *Individual Health Management:* Targeting efforts to encourage participant lifestyle changes such as wellness programs, disease management, incentives for modifications to behavior/lifestyle changes, education on health care matters, and health care provider cost awareness;
- *Aggregation:* Evaluating whether to aggregate purchasing power by formulating insurance pools and intergovernmental agreements for procurement of prescription medicine, and participating in local government master agreements; and
- *Cost Sharing:* Implementing cost sharing through joint payment of premiums, co-payments, and co-insurance with employees.

The lack of guidelines for cost containment can prevent the District from identifying appropriate and practical measures for controlling and possibly reducing health care costs.

R3.4 During future negotiations, RHLSD should consider increasing employee co-pays for physician visits and prescription drugs; implementing a three-tiered prescription plan; requiring employee annual deductibles and cost sharing for hospital visits and outpatient surgery; and increasing annual out of pocket maximums. Taking these measures could help the District lower its medical premium costs. The District should also consider increasing employee contributions toward monthly premiums, especially if it is unsuccessful in altering plan benefits. In addition, the District should further review dental and vision premium costs to identify appropriate cost-saving measures.

Table 3-4 compares RHLSD’s monthly insurance premiums and employee contributions for medical (PPO plan), dental, and vision insurance to data published by the Kaiser Foundation, the State Employment Relations Board (SERB) and the Ohio Education Association. Premium data reported by these sources has been adjusted for inflation to provide a more reliable comparison to the RHLSD premiums in effect for FY 2006-07.

Table 3-4: Monthly Insurance Premium Analysis

	Monthly Single Plan	Monthly Family Plan
Monthly Medical Premiums / Employee Contributions		
RHLSD Monthly Premium FY 2006-07	\$567 / 10%	\$1,130 / 10%
OEA Premium Average ¹	\$392 / 10%	\$1,001 / 9%
Kaiser Foundation Average for Government PPO ¹	\$438/ 10%	\$1,070/ 20%
SERB Premium Average for 150-249 employees ¹	\$441/ 8%	\$1,101/ 11%
SERB Premium Average for PPO ¹	\$419 / Not Reported	\$1,082 / Not Reported
Monthly Dental Premiums / Employee Contributions		
RHLSD Monthly Dental Premiums	\$35 / 10%	\$92 / 10%
OEA Monthly Dental Premiums ²	\$39 / \$0	\$72 / \$0
SERB Monthly Dental Premiums ¹	\$38 / Not Reported	\$74 / Not Reported
Monthly Vision Premiums / Employee Contributions		
RHLSD Monthly Vision Premiums	\$13 / 10%	\$36 / 10%
OEA Monthly Vision Premiums ²	\$9 / \$0	\$19 / \$0
SERB Monthly Vision Premiums ¹	\$13 / Not Reported	\$23 / Not Reported
Life Insurance Cost per \$1,000		
RHLSD Cost per \$1,000	\$0.16	
OEA Average Cost per \$1,000 ²	\$0.14	
SERB Average Cost per \$1,000 ¹	\$0.19	

Source: RHLSD 2006-07 Monthly Premium Schedule and Contribution Rates, OEA 2006 Annual Insurance Survey, Kaiser Family Foundation 2006 Annual Insurance Survey, and SERB 2005 Annual Insurance Survey.

¹ OEA premium rates reported in 2006, Kaiser reported premium rates for 2006, and SERB reported premium rates for 2005 have been adjusted for inflation to reflect a more reliable comparison to the District’s premiums in effect for FY 2006-07.

² OEA did not report historical trend in dental, vision and life insurance premiums. Therefore, the amounts shown reflect 2005-06 premium rates.

As shown in **Table 3-4**, RHLSD monthly medical premiums costs are higher than each benchmark. Specifically, the variance ranges from the family plan being only 2.6 percent higher than the SERB adjusted average for 150-249 employees to the single plan being 44.6 percent higher than OEA’s adjusted average. However, **Table 3-4** shows that the District’s employee contributions of 10 percent are similar to the OEA, Kaiser and SERB averages, with the exception of the Kaiser average of 20 percent for family plans.

Table 3-4 indicates that the District’s life insurance cost per \$1,000 of coverage is higher than the amount reported by OEA for FY 2005-06, but lower than the adjusted SERB

data. The District’s single dental plan premiums are lower than both OEA and adjusted SERB averages, while the family plan premium is 28 percent higher than the OEA average and 24 percent higher than the adjusted SERB family dental plan average. While the District requires employee contributions of 10 percent towards dental premiums, the family premium cost to the District after accounting for the employee contribution (\$83) is still higher than both benchmarks. Similar to dental insurance, the District’s vision premium for the single plan is similar to the adjusted SERB average while its family plan premium is much higher than the adjusted SERB average, even after adjusting for the 10 percent employee contribution. However, only non-union employees receive vision insurance.

As noted in **R3.6**, the District has not complied with ORC § 9.833 which requires the establishment of a reserve in its self-insurance fund. Therefore, the premium amounts currently paid by the District could increase significantly in order to generate the necessary reserve fund balance.

As plan design can impact premium costs, **Table 3-5** compares key areas of RHLSD’s schedule of benefits to industry averages reported by Kaiser and OEA.

Table 3-5: RHLSD’s Insurance Benefit Comparison

RHLSD	Kaiser Family Foundation 2006 Survey	OEA 2006 Survey
Co-Payments for Physician Visits		
In Network: \$10 Out of Network: CYD (Calendar Year Deductible \$100)	PPO¹ <1%: \$5 per visit 12%: \$10 per visit 25%: \$15 per visit 35%: \$20 per visit 17%: \$25 per visit 7%: \$30 per visit 3%: \$Other amount	Median Rate: In-network: 10% Non-network: 20%
Multi-Tier Drug Plan Co-Payments		
Generic: \$5 Brand Name: \$10 Mail Order (90 day supply) Generic: \$10 Brand Name: \$20	Co-Pay²: \$11 generic \$24 preferred \$38 non-preferred Co-Insurance²: 20% for generic drugs 25% for preferred drugs 33% for non-preferred drugs	Retail (50% offered 3-tiered plans): \$10 generic drugs \$15 formulary drugs \$30 non-formulary drugs For 30 day supplies Mail Order (48% offered 3-tiered plans): \$10 generic drugs \$30 brand name formulary \$40 brand name non-formulary For 90 day supplies

RHLSD	Kaiser Family Foundation 2006 Survey	OEA 2006 Survey
Average Annual Deductible		
Single (CYD): In Network: \$0 Out of Network: \$100 Family (CYD) In Network: \$0 Out of Network: \$300	Single Family PPO (In Network) \$473 \$1,034 Note: this data is for covered workers with these co-pays/coinsurance levels.	Single / Family Medians: Medical Plans not requiring a network: \$100 / \$200 For Network Plans: In Network: \$100 / \$200 Non-network: \$200 / \$400
Average Cost Sharing for Hospital Visits		
In Network \$0 co-payment Out of Network CYD (deductible) 80% coverage	Average Hospital Deductible/Co-pay³ PPO: \$238 Average Hospital Co-insurance³: PPO: 17% Average Hospital Per Diem³: \$170 Note: this data is for covered workers with these co-pays/coinsurance levels.	Not Reported
Average Cost Sharing for Outpatient Surgery		
Network: 0% Out of Network: 20%	Average Hospital Deductible/Co-pay³ All Plans: \$133 HMO: \$118 PPO: \$144 POS: \$191 HDHP/SO: NSD Average Hospital Co-insurance³: All Plans: 17% HMO: 15% PPO: 17% POS: 18% HDHP/SO: 15% Average Hospital Per Diem³: N/A Note: this data is for covered workers with these co-pays/coinsurance levels.	Not Reported
Annual Out of Pocket Maximums All Plans		
Routine Services: \$500 per calendar year maximum.	Single Coverage 10%: \$999 or less: 22%: \$1,000 - \$1,499 23%: \$1,500 - \$1,999 20%: \$2,000 - \$2,499 8%: \$2,500 - \$2,999 18%: \$3,000 or greater	Single Family Medians \$725 \$1,450 In Network: \$600 \$1,200 Non-network: \$1,200 \$2,400

RHLSD	Kaiser Family Foundation 2006 Survey	OEA 2006 Survey
	<p>Family Coverage 14%: \$1,999 or less 16%: \$2,000 - \$2,999 25%: \$3,000 - \$3,999 18%: \$4,000 - \$4,999 10%: \$5,000 - \$5,999 18%: \$6,000 or greater</p> <p>Above data is for workers facing out-of-pocket maximums.</p>	
Dental Benefits		
<p>Orthodontia: Yes, it is offered</p> <p>Maximum Benefit: \$1,500 per person</p> <p>Employee Contribution: 10%</p>	<p>Not Reported</p>	<p>Orthodontia: Children: 94% offered benefit Adult: 71% offered benefit</p> <p>Maximum Benefit: \$1,500 per person per year \$1,000 for orthodontia lifetime maximum benefit</p> <p>Median Employee Contribution: Single: \$0 Family: \$0</p>

Source: RHLSD 2006-07 Schedule of Benefits, Kaiser Family Foundation 2006 Insurance Survey, and OEA 2006 Insurance Survey.

¹ Only 1% of covered workers in the 2006 Kaiser survey pay both a co-pay and co-insurance for physician visits; 82 percent pay only a co-pay; 11% pay only coinsurance; and 7% neither.

² Eighty-six percent of covered workers in the 2006 Kaiser survey pay a prescription co-pay for generic, 82 percent for preferred, and 79 percent for non-preferred. By comparison, only 10 percent of covered workers pay a coinsurance for generic, 13 percent for preferred, and 15 percent for non-preferred. In addition, five percent of covered workers are in a plan that has a fourth tier of cost sharing for prescription drugs.

³ Only 3% of covered workers in the Kaiser survey pay both a deductible/co-pay and co-insurance for hospital visits; 25% pay only a deductible/co-pay only; 22% pay only coinsurance; 2% pay a charge per day; and 49 percent have no separate cost sharing for hospital visits. Regarding outpatient surgery, only 2% pay both a deductible/co-pay and coinsurance, 20 percent pay only deductible/co-pay, 24 percent pay only coinsurance and 54 percent pay nothing.

As shown in **Table 3-5**, the District generally requires lower employee cost sharing when compared to Kaiser and OEA, which is further detailed below.

- *Co-payments for physician’s visits:* The District’s employees pay \$10 in network for physician visits, while 84 percent of covered workers in the Kaiser survey face co-pays of \$15 to \$30 per visit.
- *Multi-tier drug plan co-payments:* With the exception of mail order co-pays for generic prescription drugs that are equivalent to OEA, District co-payments are

lower than Kaiser and OEA. In addition, the District maintains only a two-tiered prescription plan.

- *Annual deductible, hospital visits, and outpatient surgery:* For in-network services, the District does not require any employee co-pays. By comparison, Kaiser reports that 70 percent of covered workers in PPOs pay an annual deductible. For covered workers with no annual deductible, 55 and 43 percent face separate cost sharing for each hospital admission and each outpatient surgery episode, respectively.
- *Annual out of pocket maximums:* The employee out of pocket maximum for routine services is only \$500 at the District, much lower than the Kaiser and OEA averages.

By altering the aforementioned plan benefits, the District may be able to reduce its premium costs.

Financial Implication: If the District is able to reduce premium costs to the next highest benchmark premiums in **Table 3-4** (SERB averages for 100-249 employees) by altering plan benefits, it would save approximately \$119,000 annually. If the District is unsuccessful in altering plan design and/or chooses to increase employee medical contribution rates to 15 percent, the District would save approximately \$109,000 annually based on the FY 2006-07 premium costs and participation.

R3.5 During future negotiations, RHLSD should consider offering a prorated insurance premium payment schedule for its part-time employees who wish to receive insurance benefits. In addition, the District should consider negotiating the same work hour threshold (e.g., 35 hours) for all employees that would entitle them to full benefits at the full-time monthly contribution rate.

The District's classified collective bargaining agreement requires part-time employees to contribute the same monthly contribution (10 percent) as full-time employees. However, new employees hired after July 1, 2002 that do not regularly work 25 hours per week are not eligible to receive the paid health insurance benefits, with the exception of bus drivers and four cook positions. As a result, the District provides a part time employee working 25 hours per week or 62.5 percent of a full-time schedule the same benefits, at the same contribution level, as an employee working 40 hours per week. The certificated collective bargaining agreement does not mention the number of working hours required for health insurance benefits, thus providing the same benefits for all employees. Per the agreement, a teacher's workday cannot exceed 7.5 hours, which equates to 35 hours per week. Based on information provided by the Treasurer, forty part-time employees on the 9.5 month work schedule (34 family and 6 single plans) work less than 40 hours per week and are

enrolled in the District's insurance program for FY 2006-07. These workers include part-time food service workers, bus drivers, and teaching assistants.

Insurance benefits are equivalent to approximately 25 percent of general fund salaries. In the food service program, insurance benefits equate to 57 percent of salaries. In addition, fringe benefit costs represent 24 percent of total food service revenue. Therefore, prorating health insurance benefits based on the hours worked by all employees would reduce costs and better align benefits with the number of hours worked. Additionally, enacting the same work hour threshold for eligibility to receive full benefits at the full-time monthly contribution rate would result in the provision of benefits in a more uniform and equitable fashion. The following provides one example of how to prorate part-time employee contribution levels in order to receive full insurance benefits:

- 30-34 hours per week - 20%
- 25-29 hours per week - 35%
- 20-24 hours per week - 50%

The range of 20 to 24 hours would capture the bus drivers who are currently exempt from the 25-hour threshold effective for all classified employees hired after July 1, 2002. However, the District could choose to eliminate this exemption and require all classified employees to work 25 hours per week to receive insurance benefits.

Financial Implication: If the District offered a prorated insurance plan for its part-time employees according to the above example, it could save approximately \$89,000 annually.

R3.6 RHLSD should take steps to comply with ORC § 9.833 by using an actuary to certify an official self-insurance reserve fund. In addition to complying with ORC § 9.833, this would better ensure that the District maintains a sufficient level of funding for its self-insurance program.

The District has not established a reserve fund for its self-funded insurance program. Although RHLSD has been self-insured for many years, it has never obtained an actuarial review to determine the amount required for a reserve and was not aware of the requirement.

ORC § 9.833 requires individual, self-insured governments or joint self-insured health-care programs to calculate reserve amounts required to cover health care benefit liabilities. It also requires programs to prepare a report, within 90 days after the fiscal year-end, reflecting those reserves and the disbursements made to pay claims, as well as legal and consultant costs during the preceding fiscal year. An actuary must certify that

the amounts reserved are fairly stated in accordance with sound loss reserving principles. The actuary must be a member of the American Academy of Actuaries.

According to the claims detail report for ending FY 2005-06, the District had a sufficient fund balance to pay incurred but not recorded (IBNR) claims after the period. The third party administrator submitted \$224,155 in claims and the District had an ending fund balance of \$383,625. However, by failing to use an actuary to certify the reserve fund balance, the District is not complying with ORC § 9.833. Furthermore, the lack of certification increases the risk of insufficiently funding the self-insurance fund via premium equivalents in the future. This, in turn, increases the risk of insufficient funding for unforeseen, catastrophic claims.

Collective Bargaining Agreements

The following recommendations are based on the collective bargaining agreements in place at the time of this performance audit. During the course of the audit, the District renegotiated the certificated and classified agreements. Based on a review of the new agreements, the recommendations in this section and other sections are still valid.

R3.7 In future negotiations, the District should consider reducing the maximum number of sick days paid at retirement. It should also seek to eliminate the retirement incentive language in the certificated agreement, or modify it to enable the District to offer retirement incentives based only on cost/benefit analyses.

Both collective bargaining agreements provide staff with a severance payment based on 25 percent of accumulated sick leave days, up to a maximum of 60 days. This is higher than the maximum of 30 days in ORC § 124.39. While ORC § 124.39 allows boards of education to develop policies allowing an employee to receive payment for more than 30 days, RHLSD pays more than twice the minimum number of sick days at retirement. This increases the District's future financial liability.

RHLSD offered an enhanced retirement incentive of \$40,000 per employee during FY 2005-06 in an effort to reduce staff and salary expenses. This addendum to the existing contract aided the District by attracting more participants. RHLSD performed an analysis to ensure the incentive was cost-effective. According to the cost analysis, the District estimates savings of approximately \$600,000 in salaries as a result of the enhanced retirement incentive. While this addendum enables the District to negotiate retirement incentives annually, the provision will expire if not approved annually. This would result in a reversion to the language in the contract that requires the District to pay each eligible staff member \$10,000 if he/she retires in the first year of eligibility after 30 years of service, or \$7,500 after 25 years of service. In contrast, the classified collective bargaining agreement does not address retirement incentives. By retaining retirement

incentive language in the certificated collective bargaining agreement, the District may be forced to offer retirement incentives regardless of their cost-effectiveness.

Financial Implication: By reducing the maximum severance payment to, for example, 30 days for all staff, the District could realize cost savings of approximately \$8,900 for a certificated employee and \$3,200 for a classified employee. This assumes that both employees would have received the maximum payout of 60 days, and is based on the lowest pay rate in the collective bargaining agreements. There is no estimate as to the total cost savings for the District over the five-year period because of the unpredictable nature of retirements.

R3.8 During future negotiations, RHLSD should consider reducing the number of vacation days and holidays for classified employees. Doing so could reduce related costs (e.g., substitutes and overtime) and increase productivity.

The District's classified vacation and holiday schedules exceed the minimum requirements from ORC §3318.084 and ORC §3319.087 for non-teaching school employees. **Table 3-6** compares the District's schedule to statutory requirements.

Table 3-6: Vacation and Holiday Comparison

Type	RHLSD Schedule	State Minimum	Variance
Vacation			
11 to 12 Month Employees	1-5 years = 10 days 6-11 years = 15 days 12+ years = 20 days	1-9 years = 10 days 10-19 years = 15 days 20+ years = 20 days	6-9 years = 5 days 12-19 years = 5 days
Holidays			
9 to 10 Month Employees	New Year's Day Martin Luther King Day Memorial Day Labor Day Thanksgiving Days Christmas Day President's Day Day after Thanksgiving Veteran's Day	New Year's Day Martin Luther King Day Memorial Day Labor Day Thanksgiving Days Christmas Day	President's Day Day after Thanksgiving Veteran's Day
11 to 12 Month Employees	New Year's Day Martin Luther King Day Memorial Day Independence Day Labor Day Thanksgiving Days Christmas Day President's Day Day after Thanksgiving Christmas Eve Veteran's Day Good Friday	New Year's Day Martin Luther King Day Memorial Day Independence Day Labor Day Thanksgiving Days Christmas Day	President's Day Day after Thanksgiving Christmas Eve Veteran's Day Good Friday

Source: RHLSD Classified Contract, ORC §3319.084, and ORC §3319.087.

As shown in **Table 3-6**, the RHLSD vacation schedule compared to statutory minimum requirements gives employees five additional vacation days, for service years 6 to 9 and 12 to 19. In addition, as shown in **Table 3-6**, the District provides three more paid holidays for nine and ten-month employees, and five more paid holidays for 11 and 12-month employees when compared to minimum requirements.

Reducing additional vacation and paid holidays could increase productivity and reduce the additional costs associated with positions that may require a substitute or the use of overtime.

Sick Leave Use

R3.9 RHLSD should develop a leave policy for both certificated and classified staff that addresses sick, professional, and release time, and includes prohibitions against pattern abuse. The District should also develop methods to closely monitor leave use

and help identify potential abuse. In addition, the District should require all staff to submit physician statements, when appropriate, as well as leave forms to substantiate sick leave use. Collectively, these measures could help the District reduce leave taken by employees. This, in turn, could help reduce substitute and overtime costs and increase employee productivity. Furthermore, the District should eliminate or restructure, the sick leave incentives in the negotiated agreements.

Additionally, the District should review the number of days provided for professional leave, personal leave, and release time, and consider negotiating changes as these leave types can contribute to overtime and substitute costs, and reduce productivity. Lastly, the District should require staff to submit documentation to substantiate time and activities used for professional and release time leave, and negotiate a maximum number of days/hours for release time.

District staff use a high amount of sick leave. **Table 3-7** compares RHLSD’s sick leave days used per employee in FY 2005-06 to data compiled by the Ohio Department of Administrative Services (DAS) for FY 2004-05.

Table 3-7: Sick Leave Days per Employee Comparison

	RHLSD	DAS Average ¹	Excess Days Used
Certificated	8.2	6.4	1.8
Non-Certificated	10.2	7.2	3.0

Source: RHLSD sick leave reports FY 2005-06, FY 2005-06 RHLSD EMIS reports, and DAS 2005 averages.

Note: One certificated and one non-certificated employee used abnormally high sick leave in FY 2005-06 (183 and 152 days, respectively). When excluding these employees, the certificated and non-certificated sick leave days per employee decline to 6.9 and 9.0, respectively. These ratios are still higher than the corresponding DAS averages.

¹ RHLSD certificated staff are compared to DAS’ average for the State Council of Professional Educators, Ohio Education Association (SCOPE), while non-certificated staff (mostly classified staff) are compared to DAS’ average for the Ohio Civil Service Employees Association, Local 11, American Federation of State, County and Municipal Employees (AFSCME).

As shown in **Table 3-7**, RHLSD’s staff used more sick leave than the respective DAS averages. More specifically, certified and non-certificated staff used 28.1 and 41.7 percent more sick leave days per employee than the DAS averages, respectively. High sick leave use can contribute to high substitute and overtime costs, and reduce productivity.

The collective bargaining agreements provide brief information on leave use but do not include guidelines for the identification of leave abuse. The certificated agreement requires leave forms to be completed and approved by a supervisor. However, the classified collective bargaining agreement does not mention leave forms. Additionally, without guidelines on abuse, the forms have little effect on the rate of use. Furthermore, both collective bargaining agreements lack requirements for physician statements to substantiate extended absences. However, each agreement provides an incentive to employees who do not use sick leave. The certificated agreement provides a \$500

incentive to employees who use no sick leave. The provision further states that the incentive is reduced by \$100 for each sick day taken. Therefore, an employee can take four sick days and still be paid \$100 at the end of the year. The classified staff agreement provides an \$800 incentive if no sick or personal leave is taken. The incentive is reduced by \$55 for each sick or personal day taken. As a result, employees can receive an incentive payment of \$55 even if they take 13 sick and/or personal days. Based on the data in **Table 3-7**, these provisions do not appear to deter leave use. Lastly, District policies do not specifically address sick leave use, with the exception of the Family Medical Leave Act.

The District also has a contract provision for professional and release time. The certificated agreement entitles employees to three days of professional leave time. The agreement also indicates that the principal, in consultation with the superintendent, may grant more than three days of professional leave in special cases where teachers have not shown professional growth. According to the FY 2005-06 absence report, certificated staff used a total of 169.5 professional days, which amounts to 1.2 days per employee. Sixteen certificated staff members used more than 3 days. According to the Superintendent, the cap on professional leave ties to federal legislation and federal funds available per building, with little support from the General Fund. In addition to professional leave, release time is available. This type of leave is to be used for jury duty, county curriculum meetings, evaluation preparation, and required professional duties including supplemental contract events and school sponsored events. This leave does not have parameters that specify the number of days. According to the Treasurer, this leave is also used in lieu of professional time. The certificated staff used a total of 378.25 release time days, which amounts to 2.7 days per employee. This resulted in approximately \$41,643 in substitute costs. In total, certificated staff used 3.9 professional and release time days per employee. By comparison, non-certificated staff used 128 professional and release/other time days, for an average of 1.1 days per employee. When including personal days, certificated staff used an average of 6.3 days per employee, while non-certificated staff used an average of 2.9 days per employee. This disparity is due, in part, to the certificated staff receiving three personal days and three professional days, while classified staff only receive three personal days and no professional leave days. In addition, the Treasurer indicated that the District requests documentation for leave, but it does not always receive it.

The State of Ohio has collective bargaining agreements with the State Council of Professional Educators, Ohio Education Association (SCOPE) and the Ohio Civil Service Employees Association (OCSEA), Local 11. Teachers, librarians and educational specialists comprise the majority of positions represented by SCOPE. OCSEA Local 11 represents numerous classifications including clerks, administrative assistants, custodial workers, electricians, equipment operators, food service workers, and maintenance repair workers. Both agreements contain provisions for disciplining employees who abuse sick

leave or exhibit 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.

Additionally, the SCOPE agreement indicates that for absences exceeding seven consecutive calendar days, a physician's statement is routinely required that specifies the employee's inability to work and probable recovery date. The OCSEA agreement indicates that the employer may request submission of a physician's statement within a reasonable period.

In the article "*Sick Leave Abuse: A Chronic Workplace Ill?*" (Maureen Smith, June, 2001), determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively.

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

Developing and implementing leave policy as well as analyzing use and related trends would better enable the District to reduce leave use and increase employee productivity.

Financial Implication: If RHLSD develops a leave policy and takes other steps to reduce its sick leave use to the DAS average, it could save approximately \$5,600 in annual substitute costs for its certified staff. This estimate is based on the District's daily substitute rate of \$75 per day and excludes an employee who used 183 sick leave days to provide a conservative estimate. If the District is able to reduce the rate of classified sick leave use to the industry average, it could increase its productivity. For example, the value of lost productivity is approximately \$15,700 annually based on a conservative pay rate of \$10 per hour per classified employee, excluding an employee who used 152 sick leave days.

Human Resource Management

R3.10 RHLSD should link staff evaluations to the appropriate District-wide goals, and link teacher and principal evaluations to student outcomes. As the evaluation form is a part of the certificated collective bargaining agreement, this issue would be subject to negotiation. Furthermore, the District should, upon request, provide board members with staff evaluations when making personnel decisions.

The District has policies that address evaluations for staff and must comply with statutory requirements. The Superintendent's duty is to perform evaluations of administrative staff. Principals are responsible for evaluating teachers and classified staff in their buildings. The Board does not receive evaluations performed by these District administrators. Instead, the Board receives a synopsis of the evaluation results of the principal's evaluations, but without documentation. According to one board member, the Superintendent indicated that evaluations were not accessible to board members. In addition, the evaluations do not link to student performance or District goals.

OAC § 3319.02 requires the Board to adopt procedures for the evaluation of all assistant superintendents, principals, assistant principals, and other administrators, and to ensure the evaluation of such employees in accordance with those procedures. In addition, OPPAGA indicates that evaluations should provide written information regarding the performance assessment process to all personnel at the beginning of a rating period, include measures related to student outcomes, and appraise the employee's knowledge in the area of instruction.

By linking evaluations to student performance and District goals, RHLSD would better ensure that employees strive to achieve relevant outcomes. Furthermore, providing Board members with staff evaluations, upon request, would better ensure that they make well-informed decisions about personnel (e.g., renewing or terminating teacher contracts).

R3.11 The District should track turnover, conduct exit interviews, and survey employees to measure employee job satisfaction levels, and allow for employee feedback. Furthermore, the District should review the survey administered by AOS (see appendix 3A) and begin to address problem areas. It could use the AOS survey to help in developing a more customized and detailed future survey related to human resource operations. As the District administers subsequent surveys, it should track progress in addressing the issues identified.

RHLSLSD does not track turnover, conduct formal exit interviews or formally survey employees. According to the article *Tracking Turnover* (ZweigWhite Consulting, 2004), tracking turnover enables employers to identify trends. Tracking turnover data also provides insight into not only how many people are leaving, but also who is leaving and why. Additionally, employers may want to track turnover rates for full-time employees versus part-time employees, as well as the hiring source and hiring manager.

Tips and Techniques for Effective Exit Interviews (Pamela Holloway, 2000), contains the following strategies for developing and performing effective exit interviews:

- Select carefully and train the people that are going to be doing the interviews;
- Do not ask people to fill out a 10-page questionnaire and mail it to an anonymous mailbox;
- Where separations are not voluntary and/or where the exiting employee is “emotionally charged,” delay the interview two to three months;
- Make it about the employee by discussing their job and accomplishments;
- Use the exit interview to build a “parting relationship;” and
- Use the information and knowledge collected.

According to *Developing and Delivering Climate Surveys and Employee Satisfaction Surveys via Corporate Intranet* (Connelly, 2001), satisfaction surveys can be conducted with all staff to reveal current employee thoughts on the general work environment in order to maximize employee performance and minimize turnover. AOS administered a survey of District employees to obtain feedback and perceptions concerning human resource services. **Appendix 3-A** at the end of this section presents the human resource portion of the survey. The following highlights key points from the survey:

- **Overall Satisfaction with Human Resources:** 29 percent of respondents agree or strongly agree with the overall effectiveness of the District’s human resource management policies and procedures, with 24 percent disagreeing and 31 percent having a neutral opinion. Likewise, only 27 percent are satisfied with how human resource activities are managed in the District, with 28 percent disagreeing and 37 percent having a neutral opinion.

- **Employee Satisfaction:** 35 percent of the respondents feel that employee satisfaction and morale is positive, with 35 percent disagreeing and 27 percent having neutral opinions.
- **Goals:** 30 percent of the respondents are aware of the Board’s achievement of goals, with 42 percent disagreeing and 21 percent with neutral responses. Similarly, 23 percent of respondents agreed that the Board monitors its performance and achievement of goals, with 29 percent disagreeing and 38 percent being neutral. See **financial systems** for information on strategic planning and goals.
- **Cross Training:** 34 percent of the respondents indicated that cross training has been implemented in their department, with 20 percent disagreeing and 32 percent being neutral.

By failing to track employee turnover, conduct exit interviews, and survey employees, the District may be unable to identify and address employee concerns about job satisfaction. This can subsequently affect its ability to retain quality and productive employees. Additionally, survey results, while reflecting District employee opinions, can be used to help identify issues for improvement. Furthermore, the recommendations in the performance audit could help address some of the issues noted in the AOS survey.

R3.12 RHLSD should consider purchasing and implementing an automated substitute tracking system for its staff. Doing so would enable the District to eliminate a supplemental contract. An automated system could also increase efficiency in tracking substitutes, offer more functions than a manual process, and help document and monitor leave use (see R3.9).

RHSLD does not have an automated substitute tracking system. The District has a supplemental contract with a District employee to serve as the substitute coordinator. The coordinator keeps a printed list of substitutes and calls those available when a teacher reports an absence. This contract costs the District \$2,000 per year and services certificated personnel.

Automated substitute tracking systems are web-based or phone-based systems that automatically contact substitutes from a pre-established list. Based on the features of a particular system, an automated phone-based substitute tracking system offers several benefits, including the following:

- Eliminates the labor intensive task of calling substitutes manually;
- Links teachers to preferred substitutes or substitute groups;
- Allows staff members who do not need substitutes to simply report absences;
- Establishes district-specific calling times;
- Allows individual substitutes to choose their own calling times;

- Prints a listing of absent teachers and arranged substitutes at a school each morning; and
- Allows prioritization of a school's substitute lists.

Financial Implication: If the District were able to purchase and implement a substitute tracking system by the end of FY 2007-08 and ended its supplemental contract, the initial one-time cost would be approximately \$1,500. Annual costs would be approximately \$300 in subsequent years. However, the District would save \$2,000 annually by eliminating the supplemental contract, resulting in a net savings of \$500 during FY 2008-09 and \$1,700 annually thereafter.

Programs

R3.13 RHLSD should work with the ODE Office for Exceptional Children to ensure that its special education program is staffed at the appropriate level to provide effective service to eligible students and complies with OAC § 3301-51-09. If the District is understaffed based on minimum statutory requirements, it should request a waiver from ODE.

The District employs 14 special education teacher FTEs. However, according to minimum requirements for special education staffing in OAC § 3301-51-09, the District should employ at least 18.07 special education teacher FTEs, or approximately four more FTEs. The lower special education teacher staffing levels could be due, in part, to the actual amount of time spent by special education students exclusively in special education classes. For example, 29 of the 64 students with specific learning disabilities spent at least 80 percent of their time in the regular classroom in FY 2005-06. Additionally, the District uses teaching aides to help support its special needs staff (see discussion accompanying **Table 3-1**). Nevertheless, the District does not have a waiver from ODE allowing it to operate below minimum requirements.

A school district, county board of Mental Retardation/Developmental Disabilities or other educational agency may be granted a waiver from the requirements of the Operating Standards for Ohio's Schools Serving Children with Disabilities. These requirements define the ratio between students and individual service providers and/or the age range of students per instructional period. Waiver requests regarding school-age services must be submitted in writing to the Ohio Department of Education, Office for Exceptional Children, per the waiver application. The written request should include, but not be limited to, the following information: identification of the specific rule for which a waiver is being requested, the specific time for which the waiver is requested, and the rationale for the request.

R3.14 RHLSD should develop a District-specific plan for its special education program in order to enhance operations and services. In the plan, RHLSD should provide procedures for formally soliciting parental feedback and steps to measure the success of its special needs program.

RHLSD has adopted the Model Procedures for the Education of Children with Disabilities from ODE's Office of Exceptional Children. These procedures include various forms, such as parent invitation and parent consent for evaluation, which RHLSD uses to maintain contact and communication with parents of special needs students. RHLSD has also adopted ODE's guide *Whose Idea is This?* as its plan for the Special Education program. The plan provides answers to frequently asked questions from parents regarding their child's education. The plan also presents information for special education programs including referrals, consents, evaluations, IEPs, discipline, and transfers. It serves as a guide for the District and a resource for parents.

Although the District uses the aforementioned ODE procedures and plan, it does not have a special education plan specific to the conditions of the District and lacks a parent involvement policy.

OAC § 3301-51-07 states that each school district shall adopt and implement procedures approved by ODE's Office for Exceptional Children that ensure individual education programs are developed and implemented for each student with a disability and are in effect before special education and related services are provided. Each school district shall take steps to ensure that one or both of the parents of a child with a disability are present at each IEP meeting or are afforded the opportunity to participate.

Table 3-8 shows RHLSD Local Report Card scores for students with disabilities in FY 2004-05 and FY 2005-06, and the federal goals for FY 2005-06.

Table 3-8: RHLSD Report Card for Students with Disabilities

	FY 2004-2005 RHLSD	FY 2005-2006 RHLSD	Percentage Points Change from 2004-05 to 2005-06	2005-2006 Federal Goal (all Students)
Reading				
% Tested	100.00%	100.00%		95.00%
% Proficient	27.40%	32.10%	4.70	70.70%
Mathematics				
% Tested	100.00%	100.00%		95.00%
% Proficient	15.10%	21.10%	6.00	53.70%

Source: RHLSD and Peer District Local Report Cards

As shown in **Table 3-8**, RHLSD's students with disabilities improved by 4.7 percentage points in reading and by 6 percentage points in mathematics from FY 2004-05 to FY 2005-06. However, RHLSD is below the federal annual goals.

By establishing a District focused plan, RHLSD would be better able to monitor its special needs program and possibly improve the academic performance of its students.

R3.15 RHLSD should actively use the ESC parent mentor to enhance its special education program. The parent mentor can provide information and support to families while serving as a liaison between families and District personnel to foster positive parent/professional relationships. These services can benefit and enhance children's learning experiences.

RHLSD has a parent mentor available through the ESC to work with parents of special needs children. However, the District is not actively using the parent mentor to provide services such as trainings or meetings. Additionally, parents of special education children at RHLSD are not regularly informed about the services available through the ESC parent mentor.

The ESC employs a parent mentor to serve RHLSD along with five other school districts. According to the Assistant Director of Resource Management at ODE, State funding is available to pay for parent mentor programs. Services include trainings, discussion groups, and support and mediation in IEP meetings.

R3.16 RHLSD should seek funding and other alternatives to maximize resources available for its gifted program. Specifically, the District should submit requests for Gifted Supplemental Identification Funds (GSIF) from ODE.

RHLSD has a gifted program that serves approximately 70 students. The District contracts with the ESC for its gifted coordinator and instructor and relies on the ESC staff to administer the gifted program. The ESC identifies all gifted categories and then targets pools of students from multiple districts with similar abilities to meet their needs and maximize participation while addressing funding constraints. This pooling of resources involves the following surrounding districts: Rolling Hills, Cambridge, Caldwell, and Noble.

The ESC seeks help from community volunteers, enlists in community programs and tries to seek grants. Additionally, the coordinator is a member of Zanes Trace Consortium for Gifted students. The coordinator and teachers use this consortium for professional development and information sharing. The coordinator is also a committee member of OAGC (Ohio Association of Gifted Children) and attends annual State conferences for the gifted.

There are two types of gifted funding available to the District: gifted unit funding and GSIF. As required by ORC, gifted unit funding is based on the District's overall ADM and the ORC salary schedule. Additionally, these units follow the employee and not necessarily the District. For instance, RHLSD contracts with the ESC for its gifted staff; therefore, the funding is sent to the ESC because the position is employed by the ESC, not the District. GSIF is a state grant that requires the District to submit proposals in order to receive funding.

The District has the opportunity to request supplemental GSIF. On an annual basis, ODE sends notices for these requests and the documents are available online. Although funding is available, the District did not request it. If the District had chosen to request supplemental GSIF, it would have received \$5,383 during FY 2006-07.

Financial Implication: If the District completes its request for GSIF, it would potentially receive approximately \$5,000 in additional annual funding to forward to the ESC.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and revenue enhancements for this section. The financial implications are divided into two groups: those that are not and those that are subject to negotiations. Implementation of those recommendations subject to negotiation requires agreement from the affected bargaining units.

Summary of Financial Implications for Human Resources

Recommendations Not Subject to Negotiations	Estimated Annual Savings
R3.2 Consider eliminating up to 20 regular education FTEs.	\$930,000
R3.2 Consider eliminating up to 8 ESP FTEs.	\$422,000
R3.13 Purchase an automated substitute system to eliminate supplemental contract.	\$1,700 ¹
Subtotal	\$1,353,700
Recommendations Subject to Negotiations	
R3.4 Modify benefits in the health insurance plan. ²	\$119,000
R3.5 Prorate insurance premiums for part-time employees.	\$89,000
R3.7 Reduce maximum severance payments.	\$6,900
R3.9 Reduce sick leave use to DAS averages.	\$5,600
Subtotal	\$220,500
Total Annual Savings	\$827,200
Recommendations for Increase in Funding	Estimated Annual Revenues
R3.16 Request supplemental funding for gifted program to forward to ESC.	\$5,000

¹ These are the annual savings after the first year of implementation, when the net savings would be \$500.

² If the District is unsuccessful in altering plan design and/or chooses to increase employee contribution rates to 15 percent, it would save approximately \$109,000 annually based on the FY 2006-07 premium costs and participation.

Appendix 3-A: Employee Survey Responses

An employee survey was distributed by email to District employees during the course of this audit. The purpose of the survey was to obtain employee feedback on a variety of subjects and to gauge perceptions of customer services and identify issues related to human resource functions. The District had a survey response rate of 37.6 percent, representing primarily certificated staff responses. Survey responses were based on a scale of 5 to 1, where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. **Table 3-9** illustrates the results with the most common responses shown in bold typeface. In general, respondents indicated they were satisfied with human resources related functions.

Table 3-9: Human Resource Survey Results

Survey Questions	RHLS D Results
1) I am aware of the duties required in my job description. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 0% 2% 27% 69%
2) My job description accurately reflects my actual daily routine. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 7% 9% 36% 46%
3) I have sufficient resources to fulfill my responsibilities. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 21% 18% 38% 20%
4) I receive adequate on-going training to fulfill my job duties. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 8% 18% 46% 28%
5) Our department could effectively maintain productivity in the event of a short-term absence. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 8% 7% 54% 26%
6) The Board of Education monitors its performance and achievement of its goals. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure	7% 22% 38%

Survey Questions	RHLSD Results
4) Agree	19%
5) Strongly Agree	4%
7) I am aware of the Board of Education's achievement goals.	
1) Strongly Disagree	11%
2) Disagree	31%
3) Neutral/Not Sure	21%
4) Agree	22%
5) Strongly Agree	8%
8) Cross training has been implemented in my department.	
1) Strongly Disagree	3%
2) Disagree	17%
3) Neutral/Not Sure	32%
4) Agree	24%
5) Strongly Agree	10%
9) I am evaluated annually.	
1) Strongly Disagree	4%
2) Disagree	18%
3) Neutral/Not Sure	6%
4) Agree	33%
5) Strongly Agree	36%
10) The evaluation process provides timely and relevant feedback.	
1) Strongly Disagree	4%
2) Disagree	8%
3) Neutral/Not Sure	14%
4) Agree	32%
5) Strongly Agree.	32%
11) Evaluations are done in accordance with collective bargaining contracts.	
1) Strongly Disagree	2%
2) Disagree	7%
3) Neutral/Not Sure	9%
4) Agree	34%
5) Strongly Agree.	38%
12) The evaluation form used is relevant to my job duties.	
1) Strongly Disagree	3%
2) Disagree	7%
3) Neutral/Not Sure	13%
4) Agree	38%
5) Strongly Agree	32%
13) Management responds and acts on recommendations made in evaluation sessions.	
1) Strongly Disagree	6%
2) Disagree	11%
3) Neutral	22%
4) Agree	31%
5) Strongly Agree	20%
14) The District's employee sick leave policy is too lenient.	
1) Strongly Disagree	22%
2) Disagree	49%
3) Neutral	13%
4) Agree	4%
5) Strongly Agree	4%

Survey Questions	RHLSD Results
15) The District’s employee substitutes are qualified and effective. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	1% 19% 23% 40% 16%
16) Current substitute system is effective in placing substitutes. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	1% 19% 23% 40% 16%
17) I am aware of few lapses in certificate/licenses due to lack of management oversight. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	12% 24% 22% 21% 3%
18) I am satisfied with how human resources activities are managed in the District. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	8% 20% 37% 19% 8%
19) I am satisfied with the overall effectiveness of human resources management policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	8% 21% 31% 20% 9%
20) I am informed of changes in District policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	10% 13% 19% 37% 18%
21) The District’s overall recruitment process is effective. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	10% 11% 33% 23% 10%
22) The District’s procedures regarding job posting and hiring are effective. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	4% 12% 33% 23% 10%

Survey Questions	RHLS D Results
23) I am satisfied with procedures regarding health benefits. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	4% 7% 22% 42% 13%
24) Current grievance procedures are fair and effective. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	1% 2% 22% 42% 13%
25) I feel overall District employee’s satisfaction and morale is positive. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	8% 27% 27% 24% 11%
26) I feel confident in the leadership of the District. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	13% 20% 29% 26% 8%
27) Information regarding my job duties and responsibilities is shared in a timely and effective manner between departments and individuals. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	2% 14% 26% 37% 14%
28) My opinion is valued and my input is given consideration. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	3% 16% 26% 34% 19%
29) The District has formal written procedures that direct staff on how to respond on constituent inquiries. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	4% 6% 32% 28% 12%
30) The District staff receives training on how to respond to constituent inquiries. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	6% 11% 37% 23% 8%

Note: Some results may not add to 100% because the table does not report the ‘no opinion’ category and some respondents did not answer all statements.

Facilities

Background

This section of the performance audit analyzes Rolling Hills Local School District's (RHLSLSD or the District) custodial, maintenance and building operations. The objective is to assess these areas and develop recommendations for operational improvements and expenditure reductions. The District's operations are compared with information from applicable sources that include the American Schools and Universities (AS&U), the National Center for Educational Statistics (NCES), and a 10-district peer average. The peer districts include Celina City School District (CCSD), Garaway Local School District (GLSD), Indian Valley Local School District (IVLSD), Leipsic Local School District I (LLSD), New London Local School District (NLLSD), New Riegel Local School District (NRLSD), Ridgewood Local School District (RLSD), Southeast Local School District (SELSLSD), Springfield Local School District (SLSD), and Symmes Valley Local School District (SVLSD). These ten districts are classified in the same demographic category as RHLSLSD (Rural/Agricultural – high poverty, low median income) by the Ohio Department of Education (ODE). In addition, these ten school districts met a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Furthermore, AOS administered a survey of District employees to gauge opinions regarding facilities operations and the results are included at the end of this section in **Appendix 4-A**.

Organizational Structure & Function

RHLSLSD consists of six school buildings: Beech Grove (Pre-K), Byesville (grades K-5), and Secrest (grades K-5) elementary schools which are satellite buildings; Brook Elementary (grades K-5); Meadowbrook Middle School (grades 6-8); and Meadowbrook High School (grades 9-12) which are on a campus-like setting. The District also has an administrative building and a field house. RH LSD and five other school districts participate in the preschool program at Beech Grove. Two custodial employees of RHLSLSD clean the building. These custodians work only at the Beech Grove location. Funds from Head Start, bingo boosters and the participating school districts support the operational costs of the building. The costs paid by the school districts are based on the number of students they enroll in the preschool program as a percentage of total preschool enrollment. These percentages are then used to prorate the excess costs of operating the building, after accounting for funding from Head Start and the bingo boosters. In FY 2004-05, RHLSLSD's contribution was \$10,500, which was approximately 10 percent of the total costs.

Staffing

The Maintenance Supervisor is in charge of the custodial, maintenance and grounds staff, and is responsible for directing the day-to-day care and upkeep of all facilities and grounds for cleanliness and safety. The supervisor also assigns and recommends priorities on repair projects, inspects the work of maintenance staff, assigns and supervises maintenance personnel, orders materials as needed, prepares the administrative budget, and coordinates leave time.

The custodial staff is responsible for providing a clean and safe environment for the students, staff, and the public who use RHLSD facilities, as well as for completing minor maintenance. Custodians follow a schedule of cleaning, dusting, and washing in assigned areas. When needed, the custodial staff also completes minor maintenance, such as changing light bulbs, filters, washers; fixing switch plates; and some painting. The custodial staff consists of 15 positions, totaling 13.8 full-time equivalents (FTEs).

RHLSD's maintenance department consists of one maintenance employee (1 FTE), who is responsible for performing tasks assigned by the Maintenance Supervisor. Tasks may include repairs to buildings and equipment, some minor electrical work not to exceed 600 volts, carpentry work, and maintenance of athletic fields.

The District maintains approximately 60 acres of land, including one football field, two practice fields, one baseball field and one softball field. The grounds staff takes care of all grounds work, with the exception of Byesville, Secrest and Beech Grove where the custodial staff is responsible for their own grounds work.

Table 4-1 illustrates the custodial, maintenance and grounds keeping staffing levels for FY 2005-06 and FY 2006-07.

Table 4-1: Number of Positions and Full-Time Equivalents (FTEs)

Classification	FY 2005-06		FY 2006-07	
	Total Positions	Number of FTEs	Total Positions	Number of FTEs
Maintenance Supervisor	1	1.0	1	1.0
Custodian	19	16.9	17	15.3
Maintenance	2	2.0	1	1.0
Total Grounds	2	1.7	1	1.0
Total	24	21.6	20	18.3

Source: RHLSD

Table 4-1 shows that the District eliminated four positions (3.3 FTEs) from FY 2005-06 to FY 2006-07.

Key Statistics

Table 4-2, presents key statistics related to the facility maintenance and operations (M&O) of RHLSD. In addition, results from the 35th Annual American Schools and Universities (AS&U) *Maintenance and Operations Cost Study*, released in April 2006, and statistics from the NCES *Planning Guide for Maintaining School Facilities* (2003) are included in **Table 4-2** and throughout this section of the report.

Table 4-2: FY 2005-06 & FY 2006-07 Key Statistics and Indicators

	FY 2005-06	FY 2006-07
Number of Buildings	8	8
Total Square Feet Maintained	363,474	363,474
- Beech Grove Elementary	47,000	47,000
- Brook Elementary ¹	49,125	49,125
- Byesville Elementary	28,774	28,774
- Secrest Elementary	31,622	31,622
- Middle School	65,422	65,422
- High School	127,231	127,231
- Other ²	14,300	14,300
Square Feet Per FTE Custodial Staff Member (16.9 FTEs / 15.3 FTEs)	21,507	23,756
- Beech Grove Elementary	31,333	31,333
- Brook Elementary	13,552	16,375
- Byesville Elementary	14,387	17,707
- Secrest Elementary	15,811	19,460
- Middle School	28,977	21,807
- High School	25,446	31,808
- Other	28,600	28,600
NCES Level 3 Standard Square Feet per FTE	29,500³	29,500³
Square Feet Per FTE Maintenance Staff Member (2.0 FTEs / 1 FTE)	181,737	363,474
AS&U 35th Annual Cost Survey (1,000 - 3,499) Students Median	116,272	116,272
AS&U 35th Annual Cost Survey National Median	100,720	100,720
Acres (60) per Groundskeeper FTE (1.7 FTEs / 1 FTE)	34	60
NCES Standard Acres per FTE	18 ⁴	18 ⁴

Source: RHLSD, AS&U 34th Annual Maintenance and Operations Cost Survey, NCES

¹Total square footage (49,125) includes a modular unit; the total building square footage is 42,925 and there is one modular unit at 6,200 square feet.

²This includes the administrative building and the field house.

³The NCES staffing benchmark ranges from 28,000 to 31,000 square feet per FTE with a mid-point of 29,500, at the NCES Level Three cleaning standard (the normal standard for most school facilities).

⁴The NCES ratios for staff-to-acres based on levels of service are as follows: Acceptable = 1:20; Standard = 1:18; High = 1:15.

As illustrated in **Table 4-2**, even after staffing cuts, RHLSD's custodial staff maintains less square footage per FTE than the NCES standard at each building except Beach Grove. Conversely, the District's acres per grounds keeping FTEs are higher than the NCES standard, and its square footage per maintenance FTE is significantly higher than both AS&U medians (See **R4.1**).

Financial Data

Table 4-3 illustrates the District's actual expenditures from all funds for the maintenance and operation of facilities for FY 2002-03, FY 2003-04, FY 2004-05 and FY 2005-06.

Table 4-3: Maintenance and Operations Expenditures FY 2003 – FY 2006

Accounts	FY 2002-03	FY 2003-04	FY 2003-04 % Change	FY 2004-05	FY 2004-05 %Change	FY 2005-06	FY 2005 -06 %Change
Salaries	\$539,183	\$593,626	10.1%	\$627,261	5.7%	\$566,526	(9.7%)
Benefits	\$255,157	\$273,065	7.0%	\$266,811	(2.3%)	\$296,852	11.3%
Purchased Services	\$187,214	\$232,573	24.2%	\$267,264	14.9%	\$250,982	(6.1%)
Utilities	\$288,135	\$293,625	1.9%	\$299,090	1.9%	\$382,081	27.8%
Supplies/ Materials	\$115,067	\$95,633	(16.9%)	\$71,806	(24.9%)	\$70,305	(2.1%)
Capital Outlay	\$151,980	\$67,225	(55.8%)	\$92,974	38.3%	\$6,876	(92.6%)
Other	\$0	\$0	n/a	\$0	n/a	\$0	n/a
Total General Fund	\$1,536,735	\$1,555,746	1.24%	\$1,625,207	4.5%	\$1,573,623	(3.2%)
Total Other Funds	\$96,862	\$137,804	42%	\$107,585	(21.9%)	\$109,756	2.0%
Total All Funds	\$1,633,597	\$1,693,550	3.7%	\$1,732,792	2.3%	\$1,683,378	(2.9%)

Source: RHLSD financials

Explanations for significant variances in the General Fund are as follows:

- **Salaries and Wages:** The increase in salaries for FY 2003-04 is attributed to a 3.5 percent pay increase and adding part time custodian. The increase in FY 2004-05 was due to the District hiring a five-hour custodian assigned to the modular unit at Brook Elementary School. The decrease in FY 2005-06 is due to elimination of part-time custodial staff and one maintenance staff.
- **Benefits:** According to the Treasurer, the cost of benefits increased due to a rise in insurance costs for FY 2003-04. The decrease in FY 2004-05 was due to lower claims costs and making only 10 insurance payments. In an effort to be more current for insurance payments, the District made 13 payments in FY 2005-06. This contributed to the overall increase of 11.3 percent in benefits in FY 2005-06 (see the **human resources** section for an analysis of benefits).

- **Purchased Services:** The increase in FY 2003-04 is due to the purchase and installation of a modular unit at Brook Elementary. Security costs for the entire District also contributed to the increase. The Treasurer indicated that the District installed numerical key pads on certain office doors. The increase in FY 2004-05 is attributed to modular roof repairs and upgrades.
- **Utilities:** The large increase for FY 2005-06 is attributable, in part, to the Treasurer paying 13 months of costs in FY 2005-06 and only 11 months in FY 2004-05 to avoid a deficit. When accounting for 12 months of costs in FY 2004-05 and FY 2005-06, utility costs are \$328,480 in FY 2004-05 and \$352,690 in FY 2005-06. This results in utilities increasing by seven percent in FY 2004-05 and 12 percent in FY 2005-06. The Treasurer indicated that increases in natural gas prices contributed to utility increases from FY 2003-04 to FY 2005-06.
- **Supplies and Materials:** According to the Treasurer, the continual decreases in supplies and materials are due to the District's efforts to control costs.
- **Capital Outlay:** According to the Treasurer, the decrease in FY 2003-04 was due to the completion of roof projects in FY 2002-03 at the high school and at Brook Elementary. The District built a softball field that caused the increase in expenditures for FY 2004-05; while the large decrease in capital outlay for FY 2005-06 was due to the fact that no major projects were undertaken that year..

Table 4-4 compares RHLSD's General Fund and all other funds custodial and maintenance-related expenditures on a per square foot basis to the peer average and AS&U.

Table 4-4: FY 2004-05 Expenditures per Square Foot

Object Code	RHLSD	Peer Average	Difference	AS&U National Median ¹	AS&U (1,000 - 3,499 students) ¹
Personal Services/ Benefits	\$2.83	\$2.47	14%	\$2.08	\$2.14
Purchased Services	\$0.84	\$0.68	25%	\$0.17	\$0.16
Utilities	\$0.95	\$1.30	(27%)	\$1.31	\$1.16
Materials and Supplies	\$0.23	\$0.41	(45%)	\$0.33	\$0.34
Capital Outlay	\$0.29	\$0.13	130%	N/A	N/A
Miscellaneous	\$0.00	\$0.00	0%	\$0.20	\$0.14
Total General Fund	\$5.14	\$4.98	3%	N/A	N/A
All Funds Utilities²	\$0.82	\$1.30	(36%)	N/A	N/A
Total All Funds²	\$4.77	\$5.16	(6%)	\$4.09	\$3.94

Source: RHLSD, the similar districts (ODE) and AS&U

¹AS&U data is reported as budgeted expenditures for the 2005-06 school year. The 34th AS&U survey reported budgeted expenditures per square foot for schools with between 1,000 and 3,499 students for the 2004-05 school year as follows: \$2.05 in salaries/benefits, \$0.17 in purchased services, \$1.36 in utilities, \$0.25 in materials and supplies, \$0.11 in other, and \$3.94 in total. National median for the 2004-05 school year are as follows: \$1.79 in salaries and benefits, \$0.24 in purchased services, \$1.35 in utilities, \$0.27 in materials and supplies, \$0.19 in other, and \$3.84 in total.

²The square footage used for this calculation includes all District square footage (363,474) since it encompasses all District funds, including those for Beech Grove Elementary.

Table 4-4 shows that RHLSD's total General Fund expenditures per square foot are approximately three percent higher than the peer district average, 25 percent higher than the AS&U National Median, and 30 percent higher than the AS&U Median for similar sized districts. The District's high medical premium costs contribute to the higher salary and benefit expenditures (see **human resources**). The higher purchased services costs are due, in part, to modular roof repairs and upgrades, and the preventative maintenance contract (see **R4.1**). While capital outlay expenditures per square foot were much higher than the peer average in FY 2004-05 due to the construction of a softball field, the District spent only approximately \$6,900 in FY 2005-06 (see **Table 4-3**). The lower utility costs per square foot are due, in part, to the Treasurer paying only 11 months of costs in FY 2004-05. However, when all 12 months of utility costs in FY 2004-05 are included, the utility cost per square foot (\$1.11) is still lower than the peer average and AS&U.

In addition to General Fund expenditures, RHLSD uses a separate fund to account for costs associated with Beech Grove Elementary maintenance and operations. The District's total other fund expenditures in FY 2004-05 were \$107,585. The majority of those expenditures reflect charges to salaries, benefits, purchased services and capital outlay.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted on the following aspects of facilities operations that did not warrant changes and did not yield recommendations:

- **Overtime Use and Expenditures:** The District's overtime costs have decreased from 6.2 percent of total custodial and maintenance salaries in FY 2004-05 to 4.9 percent in FY 2005-06. Additionally, the District has a fee schedule in place to cover custodial overtime and utility costs for after school events.

- **Energy Costs:** As stated previously, the District's energy costs are significantly lower than the peer average and AS&U, even after accounting for a full year of utility costs. In addition, the District uses an electronic program to monitor and control temperatures and participates in a consortium for the purchase of natural gas.

- **Safety Plan:** The District's Emergency Manual is consistent with recommended practices.

Recommendations

Staffing & Employment Issues

- R4.1 RHLSD should consider reallocating some custodial time to grounds work (e.g., six tenths FTEs). Doing so would result in staffing levels more consistent with NCES benchmarks. In addition, the District should monitor maintenance staffing levels and contracted services. Taking these measures would better ensure the District provides sufficient resources to effectively maintain its buildings. Furthermore, the District should consider negotiating with the bargaining unit to remove the restriction from the contract that prevents the Maintenance Supervisor from performing maintenance tasks. This would provide the District with some flexibility in addressing critical tasks, especially when the current maintenance employee is absent.**

As illustrated in **Table 4-2**, RHLSD's custodial staff maintains 23,834 square feet per FTE, which is 19 percent lower than the NCES mid-point benchmark of 29,500 square feet per FTE. As a result, the District employs approximately 3.0 more FTEs than this NCES benchmark. Based on the NCES benchmark of 18 acres per grounds FTE for basic grounds care and the number of acres mowed at Byesville, Secrest and Beech Grove, approximately 1.7 custodian FTEs would be devoted to grounds care at these three buildings which have 30.75 acres.

Specifically, **Table 4-2** shows that the District maintains 60 acres per grounds keeping FTE, which after subtracting the previous 30.75 acres is 1.6 times higher than the NCES standard of 18 acres per employee for basic grounds care. Currently, the District has only one full-time grounds keeper. In addition to mowing 60 acres, the District's groundskeeper is responsible for other activities, such as planting, fertilizing, pruning, watering, repairing equipment and outside furniture, snow shoveling, and collecting and disposing of leaves and refuse. Prior to FY 2006-07, the District employed an additional 9-month grounds employee from the spring through the fall.

When considering the NCES benchmarks and accounting for the potential time devoted by custodians to grounds work (1.7 FTEs), the District employs an excess of 1.3 custodian FTEs. If the District reassigned .six tenths custodian FTEs to help the grounds employee maintain the related grounds, it would average 18 acres per grounds FTE and 27,960 square feet per custodial FTE. The level of additional grounds support will depend specifically on the District's needs.

Table 4-2 also shows that the District maintains 363,274 square feet per maintenance FTE, which is significantly higher than the AS&U median for 1,000 to 3,499 students

(116,272) and the AS&U national median (100,720). However, this variance could be due, in part, to custodians performing some minor maintenance tasks and differences in spending for contracted services. For instance, the District's contracted service expenditures per square foot of \$0.84 are significantly higher than the AS&U medians (\$0.16 and \$0.17). The District contracts with a company to perform preventive maintenance duties at an annual cost of approximately \$90,000, which appears to be primarily for HVAC systems.

Based on the maximum salary in the classified collective bargaining agreement for maintenance staff adjusted for inflationary increases and the ratio of benefits to salaries for M&O operations, the contracted cost of \$90,000 equates to approximately 2.0 maintenance FTEs. When including an additional 2.0 FTEs, the District would maintain 121,158 square feet per maintenance FTE, which is comparable to the AS&U median. However, the actual salary for the related maintenance employee would depend, in part, upon the qualifications needed to perform preventive maintenance duties, including HVAC. In addition, the contracted costs cover some repair and service materials, along with labor costs.

Regardless of the square footage ratios, the lack of a CMMS (see **R4.8**), facility and capital plans (see **R4.7**), annual facility audits (see **R4.9**), and formal performance standards (see **R4.11**) prevents the District from ensuring it devotes the sufficient level of maintenance support for its buildings. Further, the District's classified labor agreement does not permit the Maintenance Supervisor to complete any maintenance tasks, which can inhibit the District from addressing emergency maintenance needs.

R4.2 RHLSD should develop and implement a procedures manual for the custodial staff that outlines proper cleaning procedures. This would better ensure that custodians are familiar with procedures and work expectations. Once developed, the Maintenance Supervisor should work with the Superintendent to establish a schedule for regularly reviewing and updating the manual. The Maintenance Supervisor should also provide a copy of the manual to the custodial staff at each building. Finally, the manual should include a "last updated" field to ensure custodians have the most up-to-date information.

The District has not developed or implemented a procedures manual for its custodial operations. Rather, newly hired custodial staff members shadow a seasoned employee to learn cleaning procedures.

The *Custodial Methods and Procedures Manual* (Association of School Business Officials International, 2000) can serve as a guideline for developing procedures for custodial and maintenance personnel. This manual outlines staffing standards, daily

duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks.

The International Sanitary Supply Association (ISSA) has developed a training program manual designed to help train custodians. The program details correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers 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 formal procedures to guide employees, custodians may not be cleaning the buildings in a consistent, efficient and effective manner.

Financial Implication: The cost of the ISAA manual is \$60 for non-members and \$45 for members.

R4.3 The District should update job descriptions to more accurately reflect the current working environment, and accurately portray the duties of the custodial and maintenance staff.

The job descriptions for custodial and maintenance staff have not been updated since 1999. Without updated job descriptions, the District cannot properly evaluate the performance of employees. Further, in the absence of updated job descriptions, employees may not be fully aware of the expectations of the District. The Maintenance Supervisor stated that the job descriptions reflect the work being completed by staff, except that staff are completing more work than is stated. Therefore, the job descriptions do not fully capture custodial and maintenance responsibilities. According to NCES, a good job description accurately identifies the knowledge, skills, and abilities needed by an individual to meet the expectations of the job.

Energy Management

R4.4 RHLSD should develop and implement energy management policies and procedures to help control and potentially minimize energy costs. In addition, the District should develop an energy conservation training and education program based on its policies and procedures as well as information from industry sources. The training and education program should cater to both students and staff, and convey both the steps to conserve energy and the reasons behind energy conservation.

The District does not currently have formal policies and procedures regarding energy management, nor does it have energy conservation training programs for staff or students. However, it does have the capability to monitor and control environmental conditions for all rooms through a centralized computer system located at the administrative building. This method of temperature control prevents teachers from adjusting the thermostat settings in their classrooms.

The U.S. Department of Energy's Rebuild America Program selected the Ohio Energy Project (OEP), a nonprofit organization, to develop Ohio's EnergySmart Schools Program (OESSP). OESSP provides many materials and programs for teachers and students to improve the learning environment in schools while saving energy and money, utilizing the school building as a learning laboratory. OESSP helps reduce school energy consumption and costs by empowering teachers and students to make sustainable energy choices and affecting the attitudes and behaviors of teachers, students and staff about energy conservation. OEP will work with teachers and administrators to design a program tailored to the district's curricular needs and efficiency improvement plans. Rebuild America's Energy Smart Schools program from the U. S. Department of Energy reports that most schools could save 25 percent of high energy costs by being smart about the use of energy. Types of activities available through the OESSP Action Plan include:

- Conducting energy audits and comfort surveys of buildings to determine where the building's energy efficiency and learning environment can be improved;
- Signing an EnergySmart Schools Contract encourages students to reduce the amount of energy they use everyday;
- Performing waste audits that demonstrate where waste occurs in the building and ways to improve the situation with cooperative action; and
- Supporting Ohio Schools Going Solar, complete with a solar array that generates electricity and serves as a powerful teaching tool.

The Ohio Energy Project (OEP) also offers programs that include professional development and workshops for teachers and students throughout Ohio, including the following:

- Customized professional development;
- Energy workshops and fairs for teachers and students;
- Energy bike workshops for teachers;
- Primary workshops featuring This Mine of Mine, a hands-on activity about electricity from coal and reclaiming the land; and
- Workshops pertaining to OESSP.

Further, materials developed by OEP and the National Energy Educational Development (NEED) provide teachers with the following:

- Energy concepts, including the major sources of energy, science of energy, forms and transformations, electricity, and energy efficiency;
- Complete, unbiased information and activities in a variety of disciplines;
- Ready-to-use lesson plans to implement in the classroom; and
- Extensive testing by a national panel of teachers across the country.

For energy saving techniques, *The School District Energy Manual* (The Association of School Business Officials International, May 2005) recommends the following:

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

By implementing the proper energy policies and procedures, and incorporating formal energy conservation training, the District could better control energy consumption and costs.

Financial Implication: RHLSD may not be able to realize the full 25 percent decrease in utility expenditures reported by the Rebuild America's Energy Smart Schools program. However, if the District were able to reduce utility costs by 10 percent by implementing the aforementioned suggestions, it would save approximately \$38,200 in total utility costs.

Building Capacity

R4.5 The District should develop and formally adopt a five to ten-year forecast methodology for projecting student enrollment. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues and if necessary, determine possible building closings or reconfigurations. If enrollment continues to decrease, the District should consider selling the modular units located at Brook Elementary.

The District's latest building capacity analysis was a part of the OSFC project completed in 2004. The capacity analysis determined the size, needs, and settings of the District's buildings. According to the Superintendent, the District does not have a methodology for calculating building capacity. However, in FY 2005-06, the Superintendent indicated that capacity was reviewed to determine the number of certified staff reductions and how to reconfigure class grades accordingly.

DeJong and Associates has published criteria for determining school capacity. It suggests using 25 students per classroom for all grades and eliminating special use rooms, such as art, music, and special education, in the calculation of capacity for elementary schools. DeJong and Associates also suggests setting classroom use at 85 percent for junior high and high schools because of bell scheduling, teacher prep workspaces and other factors that limit the use of every space 100 percent of the time. Using these criteria, the estimated capacity and utilization rate for each school building based on floor plans are presented in **Tables 4-5** and **4-6**. **Table 4-5** excludes modular units while **Table 4-6** includes them. Brook Elementary has four modular classrooms that are used to house 5th grade students.

Table 4-5: Building Capacity (Excluding Modular Units)

Building	Building Capacity	FY 2006-07 Head Count	Over/(Under) Capacity	Building Utilization Rate
Brook ES	550	369	(181)	67%
Byesville ES	325	262	(63)	81%
Secrest ES	300	237	(63)	79%
Elementary Total	1175	868	(307)	74%
Meadowbrook MS	610	520	(90)	85%
Meadowbrook HS	701	647	(54)	92%
District Total	2486	2035	(451)	82%

Source: RH LSD EMIS Student Enrollment Report 2006-07.

Table 4-6: Building Capacity (Including Modular Units)

Building	Building Capacity	FY 2006-07 Head Count	Over/(Under) Capacity	Building Utilization Rate
Brook ES	650	369	(281)	57%
Byesville ES	325	262	(63)	81%
Secrest ES	300	237	(63)	79%
Elementary Total	1275	868	(407)	68%
Meadowbrook MS	610	520	(90)	85%
Meadowbrook HS	701	647	(54)	92%
District Total	2586	2035	(551)	79%

Source: RH LSD EMIS Student Enrollment Report 2006-07.

Table 4-5 shows that without the four modular classrooms, Brook Elementary School's utilization rate is 67 percent. However, **Table 4-6** shows that Brook's utilization rate decreases to 57 percent with the addition of the four modular classrooms. The overall elementary school utilization rates are 74 and 68 percent, with and without the modular units, respectively. In contrast, the utilization rates at the high school and middle school are 85 and 92 percent, respectively. Therefore, the District currently does not appear to have the ability to close school buildings. However, this could change depending on future enrollment (see **Tables 4-7** and **4-8**).

In 2004, DeJong and Associates developed RHLSD's most recent enrollment projections as part of the Ohio School Facilities Commission's (OSFC) Facilities Assessment Report. The ten-year projections were based on live birth data; historical enrollment, housing data, and historical and projected building permit information. **Table 4-7** presents the ten-year enrollment projection prepared by DeJong and Associates.

Table 4-7: RHLSD Enrollment Projections (K-12 Students)

School Year	Projected Enrollment	Percentage Change
2004-2005	2,142	N/A
2005-2006	2,158	0.75%
2006-2007	2,168	0.46%
2007-2008	2,163	(0.23%)
2008-2009	2,172	0.42%
2009-2010	2,164	(0.37%)
2010-2011	2,160	(0.18%)
2011-2012	2,152	(0.37%)
2012-2013	2,153	0.05%
2013-2014	2,152	(0.05%)

Source: DeJong and Associates 2004

Table 4-7 shows that DeJong and Associates projected enrollment to increase slightly through 2008-09, then gradually decrease, and level off by 2013-14 at 2,152 students. As a way of determining the reasonableness of the enrollment projections, **Table 4-8** compares RHLSD's actual head count for the last five years to the enrollment projections.

Table 4-8: Actual Student Head Count vs. Projections (K-12 Students)

School Year	Student Head Count	Projected Enrollment	Difference Between Actual and Projected	Percent Difference
2002-03	2,128	N/A	N/A	N/A
2003-04	2,100	N/A	N/A	N/A
2004-05	2,148	2,142	6	0.28%
2005-06	2,105	2,158	(53)	(2.46%)
2006-07	2,035	2,168	(133)	(6.13%)

Source: RHLSD Enrollment Report and DeJong and Associates 2004

Table 4-8 indicates that the DeJong and Associates projected increases in enrollment of 0.75 percent for FY 2005-06 and 0.46 percent for FY 2006-07. However, the District's enrollment has decreased in those years by 2.0 percent in FY 2005-06 and 3.3 percent in FY 2006-07. Therefore, the enrollment projections need to be updated to improve the reliability of future projections. Although the District does not prepare long-term projections, the Superintendent indicated the next year's enrollment is estimated by reviewing the last three or four years of incoming kindergarten students to determine a trend and carrying forward the other students to the next grade level with no other changes.

Planning

R4.6 Using the current OSFC facilities assessment as a starting point, the District should work with a cross-section of school personnel, parents, students and community members to develop a comprehensive facilities master plan that reflects current building configurations and needs. The plan should include a capital improvement plan (see R4.7), detailed building inventory, updated enrollment projections (see R4.5), educational philosophy and a capacity analysis (see R4.5). These elements should serve as a roadmap for addressing the District’s current and future facility needs.

RHLSD underwent a facilities master planning process in 2004 as part of the Ohio School Facilities Commission study. The study included a ten-year enrollment projection and a detailed assessment of the condition of the District’s buildings and its facility needs. While the District has the OSFC study, it is somewhat outdated. In addition, the District does not have a formal capital improvement plan (see **R4.7**).

According to *Creating a Successful Facility Master Plan* (School Planning & Management, 2001) by Dr. William DeJong and Carolyn Staskiewicz, school districts should have a systematic methodology for facilities planning. A district-wide facility master plan is typically a ten-year plan. The plan should be based on a foundation of sound data and community input and should provide a road map for addressing the district’s facility needs. Furthermore, this publication notes the following criteria for developing effective master plans:

- The plan should clearly state what buildings are to remain, which are not, which need renovation, and any new buildings.
- The plan should specify the identified projects, the timing and sequencing of the projects, and their estimated cost.
- The plan should be the convergence of the condition of existing facilities, the desired educational program, the demography of the district and a vision for the future.
- A district should update its facility master plan periodically to incorporate improvements, changes in demographics or other educational directions.
- The plan should be used as an opportunity for a community to come together to determine how educational facilities can be an impetus for change and improvement. It requires the collaboration of educators, administrators, policy makers, community members, and facility experts.

DeJong & Associates, Inc. identifies the following as essential components of a facilities master plan:

- Historical and projected student enrollment figures;
- Demographic profile of the community/school district;
- Facility inventory;
- Facility assessment (condition and educational adequacy of buildings);
- Capacity analysis;
- Educational programs;
- Academic achievement; and
- Financial and tax information

By not updating the OSFC study to reflect current circumstances, the District risks basing important decisions on unreliable or outdated information.

R4.7 The District should maintain a formal five-year capital improvement plan and update it on an annual basis to ensure that critical repair work or equipment replacement is completed. The capital improvement plan should include a capital project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures timely work completion, and minimizes both safety hazards and facility deterioration. In addition, the Superintendent, Treasurer, and Maintenance Supervisor should work together to identify the District’s facility and equipment needs.

RHLSD does not have a formal capital improvement plan to address maintenance and capital needs, other than the Ohio School Facilities Commission (OSFC) report. This report was published in June 2004 and has not been updated.

According to the GFOA, a government should develop a capital improvement plan that identifies its priorities, the period for undertaking capital projects, and provides a financing strategy for those projects. The plan should project at least five years into the future and be fully integrated with the government’s overall financial plan. The capital improvement plan should also be included in a budget document, either in a single document describing both the operating and capital budgets or in a separate document describing the capital improvement plan and capital budget. The process for developing the plan should allow many opportunities for stakeholder involvement in reviewing and prioritizing projects. The capital improvement plan should also take into account overall affordability in terms of both capital and operating costs, community concerns, available alternatives, coordination with other projects, impacts on services, beneficiaries of the project, and important community goals. GFOA further recommends that the capital plan be approved by the governing body.

Developing, implementing, and regularly updating a five-year capital improvement plan would help the District anticipate needed facility and equipment repairs and replacements. By planning ahead, project financing sources can be identified and secured before they are needed, helping to eliminate the significant effect of unforeseen capital costs on the District's finances.

- R4.8 RHLSD should consider purchasing a computerized maintenance management system (CMMS) that is compatible with the District's other operating systems and software. An automated system would allow the District to begin tracking and monitoring the amount of the supplies and materials used on a project, the cost of labor (including staffing levels and overtime usage), and the productivity and performance of assigned personnel. Having this information available would be helpful in estimating future costs and timeframes for potential projects, and in determining the cost-effectiveness of continuing to contract for preventative maintenance versus hiring a qualified employee (see R4.1). In addition, using the preventive maintenance agreement as a starting point, RHLSD should establish written guidelines and operating procedures for addressing and prioritizing emergency, routine, and preventive maintenance.**

Currently, the District does not have an electronic work order system that could help keep better records of its maintenance activities; however, the District does have a manual, paper-based work order system. Work orders are generated by custodians, teachers, or building principals and submitted to the Maintenance Supervisor for assignment to a staff member. Once the task is complete, staff members sign off on the work order and note the date of completion. If the Maintenance Department completed the assigned job, the Maintenance Supervisor stores the work orders in a cardboard box in no particular order, which goes back three years. However, if the custodial staff completed the job, the completed orders are stored in the building custodial staff's files.

The Maintenance Supervisor indicated that the District does not track the materials or staff time used for repairs. Furthermore, RHLSD does not have formal policies and procedures for the prioritization of maintenance needs. Rather, the Maintenance Supervisor indicated that when emergencies arise, they take first priority before any of the other work is completed. Task assignments are based on the qualifications of the staff.

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 orders are complete, 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 the District. CMMS software must be user friendly so implementation occurs with minimal training.

NCES also notes that a CMMS should be network or Web-based, compatible with standard operating systems, have add-on modules (such as incorporating the use of hand-held computers), and be able to track assets and key systems. Source codes must be accessible so that authorized district staffs are able to customize the system to fit their needs as necessary. In terms of utility, a good CMMS program should 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).

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

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

Based on a particular automated work order system, management has the following features to help them track the work:

- Create a historical record of maintenance problems, and instantly produce detailed reports of the status of all reported problems;
- Track inventory and parts used for repairing equipment;
- Schedule tasks to begin on a certain date, occur on set intervals and/or run for a set number of occurrences;
- Create custom priority levels for trouble tickets;

- Balance work, assigning tickets to maintenance personnel based on current workload;
- Integrate the service with an asset management program to see repair histories and guarantee/warranty information for equipment; and
- Automatically create status reports for individual maintenance personnel.

OPPAGA states that school districts should establish a work authorization system that prioritizes maintenance needs. The proper control of information, documentation of requests, guidelines for prioritizing the requests and subsequent response is critical to resolving customer needs. Districts need to establish written guidelines and operating procedures for addressing emergency, routine and preventive maintenance. Some maintenance issues are more important than others; however, even routine maintenance can become an emergency if no action occurs in a timely manner. The maintenance priority system should address the most serious problems first – those affecting life, health and safety – then address those that could become major problems in the future (roof leaks affecting air quality). Finally, the priority system should address routine and ongoing preventive maintenance. Work priority guidelines need to be clearly comprehended and adhered to by employees and customers. By having priority-setting systems in place, maintenance and custodial employees have direction and focus despite the competing requests for time and resources.

Lastly, NCES indicates that a CMMS is necessary when staff manage more than about 500,000 square feet of facility space and that many smaller organizations may not have the need or resources to automate data systems. Although the District falls below this threshold at approximately 363,000 square feet when including all buildings, using a CMMS would help improve its ability to track a wealth of useful data at a relatively low implementation cost. This could help the District better manage its facility operations. In addition, developing written guidelines for maintenance can better ensure maintenance tasks are completed in the appropriate sequence and in an effective manner.

Financial Implication: Based on one vendor's pricing, the cost of a computerized maintenance management system would be approximately \$3,500 for a period of three years, or approximately \$1,200 annually.

R4.9 The District should conduct annual facility audits and enter that information into their computerized work order system (see R4.8) as a tracking mechanism to maintain an accurate account of inventory and better manage facilities. Facility audits would also be helpful for capital improvement planning (see R4.7).

RHLSLSD had a facility assessment completed in 2004, as part of the Ohio School Facilities Commission (OSFC) report. The OSFC analyzed the condition of all schools within the District, including buildings, mechanical equipment, capacity, and utilization.

Although the Treasurer indicated the District does not conduct formal facility audits, the Maintenance Supervisor stated that he conducts ad hoc monthly walk throughs with a School Board member to evaluate building conditions.

According to NCES, a facility audit is a comprehensive review of a facility's assets. The audits are a standard method for establishing baseline information about the components, policies, and procedures of a new or existing facility. Facility audits include assessing buildings, grounds, and equipment; documenting the findings; and recommending service options to increase efficiency, reduce waste, and save money. Thus, an audit provides the landscape against which all facilities maintenance efforts and planning occur. Facility audits should also be a routine part of the facilities maintenance program. By integrating the findings of annual audits over time, planners can ascertain realized product life cycles, 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.

Without a continual update of the condition of facilities and assets, management runs the risk of making inappropriate decisions about maintenance and/or replacement.

Employee Training

R4.10 RHLSD should develop and implement a formal training program for new and current employees. In addition, the District should document the training programs completed by all employees to ensure they have received the necessary training.

New employees seldom receive training because they are typically hired as substitutes. The Maintenance Supervisor indicated the only training they receive is at in-service training with other employees. Beyond that, there is no set plan for providing training to new employees other than shadowing a seasoned custodian at the start of employment. There is no formal new employee training.

According to the Maintenance Supervisor, the District conducts annual in-house training through a cleaning supply vendor who demonstrates how to use related products. He also indicated that after the District purchases equipment, the vendor demonstrates to one custodian how the machinery operates. That custodian then trains other custodial staff on how to operate the equipment. is the District also provides training on asbestos handling.

NCES recommends newly hired personnel receive the following types of training as soon as possible after joining the organization:

- *Orientation (or tour) of the organization's facilities* – including the payroll division (where timecards are punched and submitted), emergency locations, the cafeteria, and the supervisor's office.
- *Orientation (or tour) of the person's work area* – including the primary location where he or she reports to work and all areas where he or she might be expected to perform job-related tasks (e.g., a plumber should be shown the organization's plumbing headquarters and all campuses he or she will be servicing).
- *Equipment instructions* – including an introduction to all tools, machinery, and vehicles the individual will be expected to use (e.g., industrial floor sweepers, lawn cutting equipment, power tools, and district trucks).
- *Task-oriented lessons* – including instructions on how to perform the individual's work tasks (e.g., how to clean a carpet, repair a roof, or service a school bus).
- *Expectations* – including a clear description of precisely what the individual must do to meet the requirements of a job (what, where, and when, and to what extent).
- *Evaluation information* – including an explanation of all criteria on which the individual will be evaluated, such as the tasks that will be evaluated, all relevant performance standards and expectations, who will do the evaluating, what mechanisms will be used to perform the evaluations (e.g., random checks or daily assessments), and the potential ramifications of the evaluations.

The Association of School Business Officials International (ASBOI) recommends a regular program of custodial and maintenance staff training as a matter of district policy. Professional growth should play a vital role in keeping staff up-to-date. In addition to initial training for new staff, districts need to offer special training as new products, equipment, and techniques become available. It will not benefit the staff or district if employees have new products to use without the necessary training. For that reason, school districts should consider sending the custodial and maintenance staff to new product and equipment workshops.

According to the National Education Association, professional development for custodians and maintenance employees should include some of the following elements:

- Building security, including neighborhood watch programs;
- Asbestos training, including information about state and federal regulations pertaining to the handling and removal of such material;

- Blood borne pathogen training, including the potential risks of blood and human waste cleanups. This should include information about the Blood Borne Pathogen Standards drafted by the U.S. Occupational Safety and Health Administration;
- Hazardous equipment, including how to operate all machinery;
- Hazardous chemicals, including extensive training in the use of cleaning chemicals to reduce injuries;
- Ergonomics, including how to properly lift to avoid back injury and information about new cleaning tools and products that can minimize back strain; and
- Time management, including how workers can prioritize their tasks so they can accomplish them efficiently and effectively.

Without a formal training program, employees may have many unanswered questions. This, in turn, increases the risk that employees will not work in the most efficient and effective manner or not maintain consistency throughout the District.

Operational Procedures

R4.11 RH LSD should develop and implement performance standards that will be used to consistently evaluate the efficiency and effectiveness of facility operations, and help ensure that all buildings are maintained equitably. The District should use these performance standards to communicate job expectations and regularly assess staff performance, which invariably impacts the efficiency and the effectiveness of facility operations. By periodically comparing established benchmarks to actual performance, the District can determine needed improvements in its operations.

The Maintenance Supervisor stated the District uses board-approved staff evaluations to gauge the performance of the maintenance and custodial staff. However, due to his busy schedule, he further indicated that evaluations are neither consistent nor timely. Furthermore, the District does not have formal standards in place to evaluate the cost-efficiency of its maintenance and custodial operations or the performance of its staff. Rather, the District follows the concept of “biggest fire gets put out first.” Without the appropriate benchmarks, the District runs the risk of making uninformed or inappropriate decisions.

According to OPPAGA, districts should establish written performance standards with input from maintenance and custodial employees. Performance standards serve as a basis for measuring how well the maintenance and custodial employees meet or adhere to board policies, standards, and objectives. They set clear expectations for job performance and give managers consistent tools for evaluating performance. Once established, performance standards can assist in assigning work, reviewing completed assignments, and preparing annual performance appraisals.

OPPAGA also indicates that districts should develop a comprehensive set of measures to evaluate the overall effectiveness of the maintenance program. These accountability measures indicate how successful various maintenance units are in maintaining school facilities and supporting educational activities. By periodically comparing established benchmarks to actual performance, the District can determine what improvements are necessary in the maintenance program.

NCES notes that to assess staff productivity and ensure that all schools are maintained equitably, districts must establish performance standards and evaluation criteria. When evaluating staff, the District must collect and maintain accurate, timely, and comprehensive data. Good decision-making requires good data and documentation. Collecting the data requires effort, but it is a necessary task.

R4.12 RLSD should develop and implement an annual customer survey to help analyze perceptions of the performance and productivity of the custodial, maintenance and grounds operations. The District should share the survey results with customers and staff, and re-evaluate operations to ensure they have improved. Furthermore, the District should review the survey administered by AOS (see Appendix 4A) and begin to address potential problem areas. RHLSD could use the AOS survey to help in developing a more customized and detailed future survey concerning its maintenance, grounds and custodial operations. As the District administers subsequent surveys, it should track progress in addressing the issues identified in them.

RHLSD does not have a customer feedback method designed to identify perceptions and help recognize necessary program improvements. The Maintenance Supervisor indicated the District has conducted surveys in the past, but this practice is no longer in place. However, he did mention a number of board members (usually one or two) conduct walk throughs of the buildings with the Maintenance Supervisor at the end of their monthly meeting with administrators.

According to OPPAGA, districts should use customer feedback surveys, self-analysis, and subsequent follow up on identified problems to implement program improvements. Surveys should be conducted annually to determine strengths and weaknesses of the department's long-term goals. Districts should perform the following steps to implement a customer feedback system:

- Develop an instrument for surveying various stakeholders regarding their satisfaction. The survey should include questions relating to quality and timeliness of services, work order completion times, quality of work, overall appearance and cleanliness, and professionalism of employees in the operations

department. Principals, teachers, students, parents, community members, and operations employees should provide input for use in developing the survey.

- Conduct the survey at least annually and analyze the responses.
- Use results to evaluate the effectiveness of the maintenance and operations programs and make needed improvements; and
- Report results to the superintendent and school board.

The Planning Guide for Maintaining School Facilities (NCES, 2003) indicates that surveys can be used to evaluate custodial and maintenance work, and provides a sample customer survey form for gaining feedback about custodial and maintenance services.

AOS administered a survey to RHLSD employees to obtain feedback and perceptions concerning custodial and maintenance services. The following are key results from the survey:

- **Overall Satisfaction:** 64 and 66 percent of respondents are satisfied with the maintenance and custodial departments, respectively, with only 13 and 14 percent being unsatisfied.
- **Quality of Service:** Sixty-one percent agreed that the custodial and maintenance staff provide quality service, and 24 percent disagreed.
- **Cleanliness:** Fifty-seven percent of respondents agreed facilities are properly clean, while 29 percent disagreed.
- **Efficiency:** Fifty-six percent of respondents indicated that custodial tasks are efficient, while 24 percent felt otherwise.
- **Work Order Timeliness:** Only 42 percent of respondents agreed that work orders are completed in a timely manner, with 33 percent disagreeing.

Formalizing custodial and maintenance procedures (see **R4.2** and **R4.8**), developing performance standards and measures to objectively evaluate operations (see **R4.11**), and purchasing an electronic work order system (see **R4.8**) could help address the survey issues noted above.

R4.13 The District should update the emergency contact information in its Emergency Procedures Manual to reflect the staffing changes that have taken place since it was adopted in September 1999. The District should also ensure that its alarm systems meet industry standards.

RHLSD has a comprehensive Emergency Procedures Manual that is accessible to all staff. This manual explains emergency operation team responsibilities and procedures for handling major emergencies, and discusses security protocol. The manual, however, has outdated emergency contact information for the superintendent, maintenance, and transportation positions. The names and corresponding home numbers have not been updated since the adoption date (September 1999).

The District has also developed a visitor policy that outlines the procedures that visitors must adhere to when visiting district buildings. For instance, the visitor policy stipulates that each visitor must sign the visitor guidelines to demonstrate that they received a copy and understand what is stated. The District's practices for monitoring visitor entrances at school buildings include requiring visitors to use a buzzer to gain access to the buildings, and the use of security cameras and intercoms to identify visitors requesting permission to enter the buildings. However, the security alarm systems used to monitor buildings for potential threats do not meet industry standards, according to the OSFC Facilities Assessment. According to the Superintendent, the District successfully passed fire marshal inspections.

Financial Implications Summary

The following table lists annual (costs)/savings and one-time costs for recommendations contained in this section of the report.

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual (Costs)/Savings	Estimated One-Time Costs
R4.2 Purchase ISAA manual		\$60
R4.4 Energy Management	\$38,200	
R4.8 Purchase a CMMS	(\$1,200)	
Total	\$37,000	\$60

Appendix 4-A: Employee Survey Responses

An employee survey was distributed by email to District employees during the course of this audit. The purpose of the survey was to obtain employee feedback on a variety of subjects and to gauge customer perceptions of services and issues related to facilities functions. The District had a survey response rate of 37.6 percent, comprising primarily certificated staff responses. Survey responses were recorded on a scale of 5 to 1, where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. **Table 4-9** illustrates the results of the survey for facilities.

Table 4-9: Facilities Survey Results

Survey Questions	RHLSD Results
1) Work orders are responded to in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	9% 24% 21% 39% 3%
2) Custodial and maintenance employees deliver quality services. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 20% 12% 47% 14%
3) Emergency work orders are given top priority. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 10% 23% 38% 11%
4) Schools are notified in advance of work to be performed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 18% 30% 16% 6%
5) Schools are advised of incomplete work orders. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 18% 26% 14% 6%
6) Work is scheduled so it is not disruptive. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	7% 14% 20% 41% 48%

Survey Questions	RHLSD Results
7) Workers are careful near children. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 1% 11% 52% 26%
8) Overall, I am satisfied with the maintenance department. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 12% 22% 47% 17%
9) The regular cleaning schedule appears to be appropriate. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 19% 12% 42% 17%
10) Custodial tasks are completed efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	6% 18% 19% 36% 20%
11) Facilities are properly cleaned. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	7% 22% 12% 40% 17%
12) Custodians are polite and have a good work ethic and attitude. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	6% 6% 14% 51% 20%
13) There appears to be a sufficient number of custodians in my building. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	9% 26% 18% 36% 11%
14) School grounds are properly maintained. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	6% 19% 10% 47% 18%

Survey Questions	RHLSD Results
15) Custodial staff cooperates with staff regarding safety of equipment on school grounds. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	3% 3% 16% 48% 23%
16) Work appears to be scheduled according to priorities. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	2% 10% 21% 41% 17%
17) Workers show respect for school property. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	0% 2% 12% 58% 22%
18) Playground equipment is properly maintained. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	1% 7% 17% 32% 17%
19) Overall, I am satisfied with the custodial staff's work. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	3% 11% 18% 47% 19%
20) I am aware of the District's security policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	1% 6% 13% 49% 24%
21) I feel that the District's security policies and procedures are enforced. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	2% 11% 13% 44% 22%
22) I feel safe in the school building. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	1% 3% 6% 33% 2%

Survey Questions	RHLSD Results
23) I feel that the District ensures a safe and healthy environment. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	2% 4% 13% 48% 29%

Note: Some results may not add to 100% due to not reporting the 'no opinion' category and some respondents may not have answered all statements.

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Transportation

Background

This section of the performance audit focuses on transportation operations in the Rolling Hills Local School District (RHLSLSD or the District). The object is to develop recommendations for improvements and identify opportunities to increase efficiency and effectiveness. RHLSLSD's operations have been evaluated against information from several relevant sources, including the American Association of School Administrators (AASA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), Ohio Department of Education (ODE), Ohio Department of Transportation (ODOT), the Federal Transit Administration (FTA), and the Government Finance Officers Association (GFOA). In addition, the Auditor of State (AOS) benchmarks the District's transportation indicators to a ten district peer average. These districts are classified in the same demographic category as RHLSLSD (Rural/Agricultural – high poverty, low median income) by the Ohio Department of Education (ODE). In addition, these ten 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. The peer districts include Celina City School District (CCSD), Garaway Local School District (GLSD), Indian Valley Local School District (IVLSD), Leipsic Local School District I (LLSD), New London Local School District (NLLSD), New Riegel Local School District (NRLSD), Ridgewood Local School District (RLSD), Southeast Local School District (SELSD), Springfield Local School District (SLSD), and Symmes Valley Local School District (SVLSD).

Furthermore, AOS administered a survey of RHLSLSD employees to evaluate many aspects of the District's operations. **Appendix 5A** contains the survey questions and results pertaining to transportation services. It should be noted that AOS did not test the reliability of data reported by the District in its T-1 reports (e.g., number of riders, buses and miles).

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 (non public-riders) on the same basis as their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of distance, and to educable mentally retarded children in accordance with standards adopted by the State Board of Education. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

As stipulated by RHLSD's Board of Education (the Board), it is District policy to provide transportation for those students whose distance from their school makes this service necessary within the limitations established by State law. Children in grades K-12 that live beyond one-half mile from their assigned school, or to their nonpublic or community school, shall be entitled to bus transportation. Possible exceptions to these limits exist in cases of temporarily or permanently disabled children.

Operational Statistics and Cost Ratios

Type I services pertain to those provided on district-owned yellow buses. Type II services are those provided on contractor-owned yellow buses. **Table 5-1** demonstrates the changes in ridership at RHLSD over three years.

Table 5-1: Rolling Hills LSD Yellow Bus Riders Three Year Change

	FY 2004-05	FY2005-06	FY 2006-07	Three year change
Number of Students	2,195	2,151	2,079	(5.28%)
Active Buses	20	18	16	(20.00%)
Type I and II Riders	1,454	1,019	920	(36.73%)
Public Riders	1,438	1,004	914	(36.44%)
• Public Riders as Percent of Total	98.9%	98.5%	99.3%	0.45
Non-Public Riders	16	15	6	(62.50%)
• Non-Public Riders as Percent of Total	1.1%	1.5%	0.7%	(0.45)
Riders Per Active Bus	73	57	58	(20.91%)
Riders as % of Number of Students	66.2%	47.4%	44.3%	(21.90)

Source: Ohio Department of Education

Note: Percentages may be off due to rounding

As shown in **Table 5-1**, enrollment decreased 5.28 percent while the number of students transported decreased 36.73 percent. Since FY 2004-05, RHLSD has worked to reduce the number of routes in an attempt to lower the cost of student transportation. The consolidation of bus stops in the past few years contributed to the reduction in the number of riders. The District implemented more cluster stops in order to consolidate routes and use fewer buses to provide transportation services. According to the Transportation Supervisor, some parents began driving their children to school when this occurred. The cluster stops require some students to walk up to a half mile. Instead of driving the child to the bus stop, parents began driving them to school. Although the District eliminated two buses in both FY 2005-06 and FY 2006-07, the number of riders transported per bus decreased by 21.9 percent from FY 2004-05 to FY 2005-06 and remained relatively constant from FY 2005-06 to FY 2006-07 (see **R5.2**).

Table 5-2 illustrates Type I transportation expenditures as reported to ODE for FY 2003-04, FY 2004-05, and FY 2005-06.

Table 5-2: Rolling Hills LSD Three Year Expenditures by Line Item

	FY 2003-04	FY 2004-05	FY 2005-06	Three-Year Change
Yellow Bus Riders	1519	1454	1019	(32.9%)
Type I Regular Needs	1514	1454	1019	(32.7%)
Type I Special Needs	5	0	0	(100.0%)
Personnel Expenditures	\$647,007	\$631,796	\$615,492	(4.9%)
General Operations Expenditures	\$105,857	\$103,659	\$119,865	13.2%
TOTAL EXPENDITURES	\$752,864	\$735,455	\$735,357	(2.3%)
• Per Rider	\$496	\$506	\$722	45.6%

Source: Ohio Department of Education T-1 and T-2 Reports

Note: Expenditures are Type I only because RHLSD did not have Type II or IA expenditures.

Table 5-2 shows that RHLSD reported a 2.3 percent decrease in total expenditures from FY 2003-04 to FY 2005-06. However, total expenditures per rider increased by 42.7 percent from FY 2004-05 to FY 2005-06. This is primarily due to the decrease of 21.9 percent in the number of riders transported per active bus during the same time frame, as shown in Table 5-1 (see R5.2). In addition, the increase of 13.2 percent in general operation expenditures over the three-year period is due mainly to increases in fuel costs. However, the fuel costs reported in the District's T-2 form appear unreliable (see R5.1).

Table 5-3 compares the number of students transported on yellow buses in FY 2004-05 to the peer average.

Table 5-3: FY 2004-05 Rolling Hills LSD vs. Peer Yellow Bus Riders

	RHLSD	Peer Average	Variance
Number of Students	2,195	1,390	57.9%
Active Buses	20	15	35.1%
Type I Regular Needs Riders	1,454	978	48.7%
Public Riders	1,438	934	53.9%
• Public Riders as Percent of Total	98.9%	95.6%	3.3
Non-Public Riders	16	40	(59.6%)
• Non-Public Riders as Percent of Total	1.1%	4.1%	(3.0)
Type I and II Special Needs	0 ¹	18	N/A
Total Yellow Bus Riders	1,454	996	46.0%
• Per Active Bus	73	67	8.0%
• As a Percentage of Number of Students	66.2%	71.6%	(5.4)
District Square Miles	198.0	105.9	87.0%
Number of Students Per Square Mile	11.1	14.6	(24.0%)
Population Density	95.0	92.9	2.3%

Source: Ohio Department of Education

Note: Percentages may be off due to rounding

¹ See R5.1 for reporting of special needs riders

As indicated in **Table 5-3**, RHLSD provided yellow bus transportation to 1,454 riders in FY 2004-05, all regular needs. RHLSD, along with nine of the ten peer districts, transported all bus riders on district, or Type I, yellow buses. Springfield had two contractor-owned yellow buses that it used to transport special needs riders in FY 2004-05. Those riders and buses were included in this comparison.

RHLSD transported 66.2 percent of its students on yellow buses, 5.4 percentage points less than the peer average of 71.6 percent. Non-public riders made up only 1.1 percent of total regular riders at RHLSD in FY 2004-05. This was 3 percentage points less than the peer average of 4.1 percent. In addition, **Table 5-3** shows that RHLSD transported 8 percent more riders per active bus when compared to the peer average. However, as previously stated, the number of riders transported per active bus fell dramatically to 57 in FY 2005-06 (see **R5.2**).

RHLSD covers an area of 198 square miles; 87 percent greater than the peer average of 105.9 square miles. While RHLSD’s population density was 2.3 percent higher than the peer average, the District had 24 percent fewer students per square mile.

Table 5-4 compares transportation expenditures for yellow bus riders reported on the FY 2004-05 T-2 Form to the peer average.

Table 5-4: FY 2004-05 Yellow Bus Rider Expenditures

	Rolling Hills LSD	Peer Average	Percent Variance
Total Yellow Bus Riders	1,454	996	46.0%
Active Buses	20	15	35.1%
Annual Routine Miles ¹	228,780	207,648	10.2%
Total Expenditures²	\$735,455	\$587,626	25.2%
• Per Rider	\$506	\$594	(14.9%)
• Per Bus	\$26,266	\$26,575	(1.2%)
• Per Routine Mile	\$3.21	\$2.78	15.8%

Source: Ohio Department of Education

Note: Percentages may be off due to rounding

¹ Calculated by multiplying total daily miles from T-1 by 180

² Include all Type I, IA, and II expenditures reported to ODE on T-2 Form.

As shown in **Table 5-4**, RHLSD’s expenditures per rider and per bus were lower than the peer average by 14.9 and 1.2 percent, respectively. In contrast, expenditures of \$3.21 per routine mile were 15.8 percent higher than the peer average of \$2.78. For further analyses, **Table 5-5** through **Table 5-8** provide comparisons of FY 2004-05 expenditures to the peer district average in each major expenditure category.

Table 5-5 illustrates RHLSD and peer average personnel expenditures in FY 2004-05 on a cost per rider, per bus, and per mile basis.

Table 5-5: FY 2004-05 Personnel Expenditures

	Rolling Hills LSD	Peer Average	Percent Variance
Personnel Expenditures ¹	\$631,796	\$451,413	40.0%
• Per Rider	\$435	\$451	(3.6%)
• Per Bus	\$22,564	\$20,170	11.9%
• Per Routine Mile	\$2.76	\$2.11	31.0%

Source: Ohio Department of Education

¹Includes salaries, retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.

As shown in **Table 5-5**, RHLSD’s personnel expenditures per rider were lower, but expenditures per bus and per routine mile were higher when compared to peer average. Guaranteeing bus drivers a minimum of four hours each day (see **R5.9**), paying high health insurance premiums (see **human resources**), and providing full benefits for bus drivers at the full-time contribution rate rather than prorating costs (see **human resources**) contributes to the higher expenditures per bus and per routine mile.

Table 5-6 illustrates RHLSD and peer average maintenance and repair expenditures on a cost per rider, per bus, and per mile basis in FY 2004-05.

Table 5-6: Maintenance/Repair Expenditures

	Rolling Hills LSD	Peer Average	Percent Variance
Maintenance & Repairs ¹	\$82,243	\$73,494	11.9%
• Per Rider	\$57	\$73	(22.2%)
• Per Bus	\$2,937	\$3,284	(10.6%)
• Per Routine Mile	\$0.36	\$0.33	7.6%

Source: Ohio Department of Education

¹Includes maintenance, repairs, maintenance supplies, tires and tubes, and mechanics’/mechanic helpers’ salaries

As shown in **Table 5-6**, maintenance and repair expenditures per routine mile were 7.6 percent higher than the peer average, while expenditures per rider and per bus were 22.2 and 10.6 percent lower than the respective peer averages. Developing a formal replacement plan can help RHLSD ensure a cost-effective fleet (see **R5.4**).

Table 5-7 shows RHLSD and peer average fuel expenditures as reported to ODE for FY 2004-05 on a per rider, per bus and per routine mile basis.

Table 5-7: FY 2004-05 Fuel Expenditures

	Rolling Hills LSD	Peer Average	Percent Variance
Fuel	\$48,728	\$63,630	(23.4%)
• Per Rider	\$34	\$67	(50.1%)
• Per Bus	\$1,740	\$2,918	(40.4%)
• Per Routine Mile	\$0.21	\$0.31	(31.2%)

Source: Ohio Department of Education

RHLSD reported 23.4 percent lower fuel expenditures than the peer average on the FY 2004-05 T-2 Form. However, the fuel expenditures in **Table 5-7** appear underreported. See **R5.1** for a further analysis of reporting methods and **R5.11** for an analysis of fuel purchasing.

Table 5-8 shows RHLSD and the peer average bus insurance expenditures in FY 2004-05 on a per rider, per bus and per routine mile basis.

Table 5-8: FY 2004-05 Bus Insurance Expenditures

	Rolling Hills LSD	Peer Average	Percent Variance
Bus Insurance	\$28,942	\$19,002	52.3%
• Per Rider	\$20	\$20	(0.6%)
• Per Bus	\$1,034	\$885	16.9%
• Per Routine Mile	\$0.13	\$0.10	31.3%

Source: Ohio Department of Education

RHLSD spent a total of \$28,942 on bus insurance in FY 2004-05. On a per rider basis, RHLSD is in line with the peer average at \$20, while it is 16.9 percent higher per bus and 31.3 percent higher per mile than the peer average. However, the District reduced its insurance expenditures per bus to \$576 in FY 2005-06, which is 34.9 percent lower than the peer average in FY 2004-05.

Assessments Not Yielding Recommendations

During the course of this audit, AOS reviewed several areas that yielded no recommendations. These areas are discussed below:

- **Disciplinary Procedures:** RHLSD transports students of all age groups together on buses. The District has policies and disciplinary procedures in place to ensure the safety of all riders.

- **Manual:** RHLSD has a written manual that address basic rules, regulations and procedures for transportation personnel. The procedures include the care of buses, speed limits, fueling, transporting students, route sheets, field trips, and calling off. The Transportation Supervisor updates the manual annually and provides each bus driver with a copy at the beginning of the school year.
- **AOS Survey Results:** The survey results indicate that employees view District transportation services in a generally positive light. Specifically, the highest percentage of respondents disagreeing with a statement was only 8 percent. See **Appendix 5A** for more information.
- **Inventory:** RHLSD has procedures in place for tracking inventory that identify parts by category, serial number and description, reorder point, price, and amount on hand. With limited storage and a small fleet of buses, RHLSD implements a “just in time” inventory for most parts. The District keeps work order lists and summarizes all parts and fluids used during maintenance and repairs on each bus. The two mechanics at RHLSD send inventory information to the Superintendent’s Office on a monthly basis for recording in the computer system and generating computerized reports.
- **Preventive Maintenance:** RHLSD’s preventive maintenance practices help the District ensure safe transportation of students and that buses are operating in an efficient manner. The preventive maintenance practices also help prolong the life of buses, thereby reducing the need to purchase new buses.
- **Special Needs Transportation:** RHLSD mainstreams the majority of special needs riders onto regular needs buses. Those riders who cannot be mainstreamed due to physical conditions or the distance to specialized schools are transported by other means, such as the District-owned van or contract agreements with parents and other school districts. RHLSD’s Transportation staff is involved in the development of IEPs for special needs students. The Transportation Supervisor, and often the bus drivers, receive invitations to the IEP meetings for the children requiring special needs transportation.
- **Oil Disposal:** RHLSD disposes of used motor oil by giving it to citizens who burn it for heat. During the course of the audit, the District began keeping a log to track the disposal of used motor oil. Maintaining this documentation would help the District show that it meets the specifications in OAC 3745-279-11.

Recommendations

Reporting Methods

R5.1 RHLSD should develop and implement formal procedures for reporting transportation data to ODE. Specifically, the Transportation Supervisor and the Treasurer should verify transportation expenditures and related data (e.g., non-routine miles and special needs riders) before submission of the forms to the State for reimbursement. The Treasurer’s Office should verify adherence to the procedures before approving the T-2 report. Additionally, the Transportation Supervisor and a representative from the Treasures Office should attend one of the ODE training sessions on completing transportation forms.

RHLSD does not have formal procedures for completing T-Forms or accurately reconciling the data maintained by the Transportation Department with data maintained by the Treasurer’s Office. RHLSD’s Transportation Supervisor is responsible for collecting the data and filling out the T-1 Form (student count and miles traveled). The Superintendent’s assistant fills out the T-2 report (transportation costs) with data provided by the Treasurer and the Transportation Department. The Treasurer provides all expenditures recorded on the T-2 Form, except fuel and maintenance and repairs. The Ohio Mid-Eastern Regional Education Services Agency (OMERESA) provides fuel expenditures, and maintenance and repairs expenditures from records and data produced by the Transportation Department.

RHLSD mechanics keep a binder with work orders for each bus. The mechanics track repairs and maintenance in the binder as they occur. At the end of the month, the Superintendent’s assistant receives and records the information into the computer program. Drivers and mechanics record on a fuel sheet each gallon pumped from the on-site tank. This sheet records the bus number, mileage, date, quantity, and cost per gallon of fuel. The Transportation Department files fuel sheets in a folder by bus number and sends them to the Superintendent’s assistant at the end of each month. OMERESA controls computer records at its location.

Due, in part, to the current reporting procedures, District fuel expenditures in the financial report do not reconcile with fuel expenditures in the T-2 report. This is shown in **Table 5-9**.

Table 5-9: Comparison of Fuel Costs Reported by the District

	District Financial Report	District T-2 Report
Total Fuel Costs for Buses – FY 2004-05	\$82,170	\$48,728
Total Fuel Costs for Buses – FY 2005-06	\$82,678	\$71,290
Average Price per Gallon of Diesel Fuel – FY 2005-06 (August 2005 through June 2006)	\$2.20 ¹	\$1.87 ²

Source: District Financial (Budwork) Report, T-2 report, Treasurer's Office, and Transportation Department

¹ From invoices provided by the Treasurer's Office.

² From information provided by the Transportation Department, which is from OMERESA's system.

As shown in **Table 5-9**, the District reported higher fuel costs in both years in its financial report when compared to its T-2 report. In particular, the fuel costs reported in the financial report were 69 percent higher than fuel costs reported in the T-2 report. While non-routine fuel costs can partially explain the discrepancy because they should not be included in the T-2 report, **Table 5-9** indicates that the average price recorded for diesel fuel contributes to the discrepancy in reported fuel costs. In FY 2005-06, the average price of \$2.20 per gallon of diesel fuel based on invoices provided by the Treasurer's Office was 18 percent higher than the average price indicated in a report from OMERESA. Additionally, the District reported that routine miles decreased from 228,780 in FY 2004-05 to 215,100 in FY 2005-06, despite reporting of 46.3 percent in fuel costs from FY 2004-05 to FY 2005-06.

Furthermore, the District does not appear to be accurately recording non-routine miles. It tries to recoup the costs of non-routine transportation by charging the costs to the respective departments. The Transportation Supervisor tracks non-routine trips for the school year in a spreadsheet that includes the following information:

- Date;
- Start time;
- Return time;
- Grade;
- Teacher;
- Number of students;
- Number of adults;
- Place visited;
- Purpose;
- Request;
- Approval;
- Driver name;
- Bus number; and,
- Miles traveled.

The District separates the spreadsheet into two sections -- athletic field trips and miscellaneous field trips. The majority of the miscellaneous field trips occur during regular school days and total 10,178 miles. The total miles recorded for athletic field trips in FY 2005-06 was 18,047. This results to a total of 28,225 non-routine miles. However, the District only reported 9,055 non-routine miles on the T-2 Form for FY 2005-06. In addition, it reported only 9,695 non-routine miles in FY 2004-05. Based on 28,225 non-routine miles, this comprised 11.6 percent of total miles in FY 2005-06. In addition, the District averaged 1,086 non-routine miles per bus in FY 2005-06. By comparison, the peer averages in FY 2004-05 were 9.9 percent of total miles and 981 non-routine miles per bus.

According to the Special Education Coordinator, there are many students whose IEPs require transportation services. Most of these students ride regular school buses. Each year there are a few students who require other types of transportation, either because of physical conditions or the distance to a special education school. However, RHLSD has not reported other types of transportation or any special needs riders on the T-1 Forms for FY 2004-05 and FY 2005-06. For FY 2006-07, the District reported two Type V special education students. Type V riders are students transported on district vehicles other than buses.

ODE requires school districts to report transportation information such as number of students transported, number of miles traveled, and cost of services provided for routine trips. Each school superintendent and treasurer certifies the accuracy of the data on the forms when submitting them to ODE.

According to *Student Transportation in Ohio* (Legislative Office of Education Oversight (LOEO), 2003), accuracy problems for transportation related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. One recommendation put forth by LOEO was that ODE should continue to work with school districts to improve the accuracy of the data submitted. The first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-Forms.

According to ODE, agencies that provide transportation for special needs students must report the riders and miles on the appropriate section of the T-1 Form. Reported costs for special needs students are separate on the T-2. Special education students riding on buses may be reported as special education only if both of the following are true:

- Special education students represent more than 50 percent of the ridership of the bus on a given trip, and;
- The students have an IEP that requires transportation.

The State provides operating funding in different ways depending on the nature of the students (regular education, special education, or MR/DD) and the nature of the vehicles (yellow school buses or other types). ODE states that appropriate records should be maintained so that determination of special education routes can be reviewed in a report audit.

In the absence of policies and procedures that identify the process for completing the T-Forms and for reviewing their accuracy and completeness, RHLSD risks submitting erroneous information to ODE. For instance, the District appears to have underreported fuel costs and non-routine miles on the T-2 form, and omitted special needs riders on T-1 forms. Depending upon future State funding formulas, inaccurate information may result in the delay or loss of a portion of the District's transportation reimbursement. In addition, inaccurate data prevents the District from making well-informed decisions. For example, incorrectly tracking non-routine miles can prevent the District from gauging the level of non-routine services and impact the recovery of costs for non-routine trips from the related departments.

Fleet Size and Planning

R5.2 RHLSD should assess the feasibility of increasing its bus utilization to a level closer to 80 percent by reviewing its routing and student ride times, and ensuring the safety of students on buses. The District should also conduct a formal study of the potential cost savings and operational impacts related to adjusting its bell schedules. For example, while further staggering the bell schedules could permit a reduction in bus driver positions by having more buses complete multiple runs, it may increase student ride times and fuel costs. Nevertheless, taking these measures could help the District eliminate at least three buses and/or reduce bus runs, which subsequently would improve bus utilization and reduce costs.

During future negotiations, the District should eliminate restrictions on teacher start and end times to ensure flexibility in managing operations and making necessary changes to improve efficiency. In order for the District to be able to reduce personnel costs by reducing the number of runs, it should eliminate or reduce the guaranteed minimum of four hours for its bus drivers (see R5.9). Furthermore, the District should reconsider purchasing routing software after reviewing the features and benefits of various packages, and determining whether it would be cost and operationally effective.

RHLSD uses 16 active buses to provide transportation to 11 schools, consisting of five public, two vocational, one alternative, one private, one pre-school, and one school providing a deaf program. According to the Transportation Supervisor, drivers count students approximately once a month throughout the school year and the District makes

necessary route adjustments when possible. As shown in **Table 5-3**, the District transported more riders per active bus (73) than the peer average (67) in FY 2004-05. However, although the District eliminated two buses in both FY 2005-06 and FY 2006-07 and uses cluster stops, it transported an average of only 57 and 58 riders per active bus in FY 2005-06 and FY 2006-07, respectively (see **Table 5-1**). This indicates that more buses could have been eliminated in FY 2005-06 to reflect the reduction in ridership. Celina CSD transported an average of 103 riders per bus in FY 2004-05, the highest number among the ten peer school districts and close to twice the District's riders per bus ratios in FY 2005-06 and FY 2006-07. However, it should be noted that Celina CSD's square mileage (172) is lower, population density (124) and students per square mile (18.2) are higher than RHLSD (198, 95, and 11, respectively).

RHLSD operates a system whereby some buses make multiple runs. In the morning, only 3 of the 16 active buses make more than one run, while 9 buses make two runs and one bus makes three runs in the afternoon. This results in an average of 23.5 runs per day, and 1.5 runs per bus. According to its T-1 Form, the District transported 920 riders on yellow buses in FY 2006-07. This results in an average of 39 riders per bus, per run in FY 2006-07. This equates to only 54 percent of capacity, based on a rated capacity of 72 students. The average rated capacity of the District's active fleet is 73 riders, and 15 of the 16 active buses have a rated capacity of at least 72 riders. The Transportation Supervisor estimated that route times average 50 minutes.

The District does not use routing software and instead, relies on the experience of the Transportation Supervisor who was a driver at RHLSD for many years. RHLSD did previously use routing software, but decided that it was too costly (\$1,000 per year) and not very effective.

Because bell schedules impact the District's ability to implement a multi-tiered routing system, **Table 5-10** presents the District's bell schedule at each school.

Table 5-10: RHLSD's Start and Dismissal Times

SCHOOL	START TIME	DISMISSAL TIME
Meadowbrook High	8:10	3:05
Meadowbrook Middle	8:15	3:15
Brook Elementary	8:30	3:00
Byesville Elementary	8:10	2:40
Secrest Elementary	7:55	2:15

Source: RHLSD

Table 5-10 shows that the start and end times at the schools are staggered within a 20 minutes of each other, excluding Secrest Elementary. Meadowbrook High, Meadowbrook Middle and Brook Elementary are on the same campus, with start and end times varying

by only 5 to 15 minutes. This contributes to the District transporting all ages of students together on a bus. Nevertheless, **Table 5-10** shows that RHLSD could further stagger and adjust bell schedules to allow more buses to complete multiple runs.

The certificated bargaining agreement was renegotiated during the course of this performance audit. The new agreement reduces the maximum length of the teacher work day to 7 hours beginning the second semester of 2006-2007 school year, and states that the regular work day shall start no earlier than 7:00 am and end no later than 5:00 pm. Although placing restrictions on beginning and ending times for teachers could influence bell schedules, these start and end times still appear to provide enough flexibility for the District to make changes to the bell schedules in **Table 5-10** that enable more buses to complete multiple runs.

According to the Transportation Supervisor, she has been requesting for years that the District change the bell schedule, particularly at Brook Elementary. She further stated that if Brook Elementary kept the same starting time, but dismissed at later time, the District could eliminate at least four shuttle runs. These four runs take elementary students home from Brook Elementary and then return to transport high school and middle school students. The Transportation Supervisor also indicated there has been no formal study of bell schedules and routing.

According to the article "*Hidden Savings in Your Bus Budget*" (American Association of School Administrators (AASA), December 2005), an effective pupil-to-bus ratio should average at least 100 pupils on a double route, two tier bus system. Actual capacity use should be measured using 80 percent of rated capacity as a goal. This article was authored by a private school transportation firm that has conducted transportation audits for more than 30 school districts including New York City, NY and Kansas City, MO.

According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), indicators of good route planning include the use of computer routing, if appropriate for the size and complexity of the district. They also include the adoption of staggered school start times to help ensure that buses can serve as many students as possible (i.e., maximize the district's average bus occupancy) or demonstrating through a financial analysis that staggered school start times would not make student transportation more cost-efficient. Furthermore, one vendor indicated that users of its transportation software have saved up to 20 percent of their annual transportation budget, and that its software can identify the most efficient combination of stops, runs, routes and bell times in order to use fewer buses, travel shorter distances, and maximize capacity. For instance, the vendor indicated that its software can analyze changes of school bell times to optimize routing and bus use.

If the District was able to increase the number of riders per bus to the FY 2004-05 average of 73, it could eliminate three buses. Based on the current average number of runs per bus (1.5), this would result in transporting an average of 49 riders per bus, per run, or 68 percent of bus capacity. By comparison, the District could potentially reduce 8 buses if it was able to increase bus utilization to 80 percent and averaged two runs per bus. Although the District may not be able to achieve multiple runs for all buses based on its size, this assessment indicates the District can reduce its fleet through further staggering of bell schedules and use of the Transportation Supervisor’s experience and knowledge to redesign routes to optimize bus utilization. However, based on the size of the District, redesigning routes could be aided through the use of routing software. Although the District could potentially reduce costs by eliminating runs by adjusting bell schedules, doing so may not reduce personnel costs unless it eliminates or reduces the current guarantee of four hours for bus drivers (see **R5.9**).

Financial Implication: If RHLSD was able to eliminate three bus driver positions, it would save approximately \$56,000 annually in salaries and benefits, based on the lowest paid bus drivers and the ratio of benefits to salaries in FY 2005-06. In addition, the District would save approximately \$1,700 in insurance expenditures, based on the average cost of \$576 per bus in FY 2005-06. As a result, the District would save a total of approximately \$57,700 annually by reducing three buses.

R5.3 RHLSD should consider reducing its spare bus fleet by at least one bus by eliminating the bus with the highest maintenance cost, regardless of its current classification as a spare or active bus. Making cost-effective bus replacement decisions can be aided by developing a formal bus replacement plan (see R5.4). As the District reduces its active fleet (see R5.2), it should also reduce the number of spares to be more in line with the peer average or Federal Transit Authority (FTA) benchmark. In order to extend the useful life of its fleet, the District should consider rotating its newer buses to longer routes.

Table 5-11 compares active and spare buses to the peer average for FY 2004-05.

Table 5-11: Rolling Hills LSD and Peer Districts FY 2004-05 Bus Inventory

	Rolling Hills LSD	Peer Average	Variance
Buses	28	21.5	30.2%
• Active	20	14.8	35.1%
• Spare	8	6.7	19.4%
• Spare Buses as Percentage of Fleet	28.6%	29.7%	(1.2)

Source: Ohio Department of Education T-1 Reports

Note: Percentages may be off due to rounding

As shown in **Table 5-11**, spare buses as a percent of total fleet was 28.6 percent in FY 2004-05, slightly lower than the peer average of 29.7 percent. However, RHLSD reduced its active fleet from 20 buses in FY 2004-05 to 16 buses in FY 2006-07. With 8 spares and 16 active buses, RHLSD maintains a spare bus fleet that is 33 percent of its total fleet.

Table 5-12 presents the age and mileage of the District's fleet as of June 2006.

Table 5-12: Rolling Hills LSD Spare Bus Fleet as of June 2006

Local Bus Number	Capacity	Bus Year	Mileage as of 6/14/2006
Active Buses			
1	72	1999	87,876
2	72	1999	99,022
4	72	2001	54,549
5	72	2001	51,579
6	77	1997	124,289
7	77	1997	106,832
8	72	2002	60,584
10	72	2000	58,011
11	77	1996	84,105
12 (Handicap)	60	1999	92,818
16	72	2002	43,222
18	72	1996	146,978
19	72	1996	103,255
21	72	2000	61,661
25	72	2003	24,829
29	84	1995	76,693
Average Active Buses	73	1999	79,769
Spare Buses			
3	48	2000	116,099
14 (Handicap)	60	1998	63,859
15	71	2004	9,365
20	71	2004	12,365
26	72	2003	36,737
27	72	2003	16,153
28	71	1994	141,174
31	72	1996	106,266
Average Spare Buses	67	2000	62,752

Source: RHLSD and ODE bus inventory lists

Note: List does not include spare buses sold (#9 and #30) or active buses

As shown in **Table 5-12**, RHLSD had eight spare buses in June 2006. The average model year was 2000, with bus number 28 being the oldest. The average number of miles on

spare buses was 62,752, with bus number 28 having the highest mileage of 141,174. Spare bus numbers 15, 20, and 27 are relatively new with very low miles. **Table 5-12** also shows that, on average, RHLSD's active fleet has older buses with higher miles than its spare fleet. This is due to the fact that the District makes an effort to keep newer buses off the roads with poor conditions. The Transportation Department does not plan to purchase new buses any time in the near future. Therefore, some of the newest buses remain as spares to preserve them until needed in the active fleet.

According to the Federal Transit Administration (FTA), the number of spare buses in an active fleet operating 50 or more vehicles should not exceed 20 percent of the number of vehicles operated in maximum service. If there are fewer than 50 buses, a judgment call should be made based on the age of the fleet and operating conditions. However, FTA advises that a fleet of 40 buses with more than 8 spares would probably be considered deficient.

By operating a large spare fleet, the District increases bus insurance as well as maintenance and repair costs, and misses an opportunity to generate revenue by selling surplus spare buses. In addition, by continuing to use older buses in the active fleet, the District potentially increases repair and maintenance costs.

If the District eliminated at least one spare bus with no reduction in its active fleet, spare buses would comprise 29 percent of the total fleet. This would be more in line with the FY 2004-05 percentage and the peer average. If the District were to follow the guidelines of the FTA, the number of spare busses could be reduced by four. The reduction of four spare busses would reduce the percentage of spare buses to active buses to 25 percent which is still higher than the FTA guidelines.

Financial Implication: By selling one spare bus, RHLSD could generate approximately \$8,000 based on current market prices from First Student Inc. RHLSD can also achieve \$576 in annual insurance savings, based on the average insurance cost per bus in FY 2005-06. Considering road conditions, the District should consider selling three buses which would generate one-time revenue of \$24,000 and annual savings of \$1,728.

- R5.4 RHLSD should establish a formal bus replacement plan to ensure it is properly planning and budgeting for new bus purchases. The plan should include criteria for bus replacement, such as maintenance costs, estimated cost at the time of replacement, condition, safety inspection results, age, and mileage of the buses. All bus and equipment replacement decisions should be based on economic modeling that allows for replacement at the most advantageous point in the equipment's life cycle. By developing a formal replacement plan, RHLSD will be better able to plan for future expenditures and maintain a cost-effective fleet.**

The District lacks a formal bus replacement plan. According to the Transportation Supervisor, there is no formal guideline for the Department to follow for school bus replacement. Buses are retired using maintenance cost vs. vehicle value when the mechanics decide that it would cost more to fix the bus than it is worth.

There are no State guidelines for bus replacement beyond the requirement that buses must be able to pass the annual Highway Patrol inspection. As long as a bus passes the inspection, a district may continue to use it for transportation, regardless of age or mileage.

The Government Finance Officers Association (GFOA) recommends that government agencies, including school districts, prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on an organization's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.

The National Association of State Directors of Pupil Transportation Services (NASDPTS) believes that the timely replacement of school buses must be a planned process. According to NASDPTS, two independent studies of annual school bus operating costs in the mid-1980's indicated that after 12 years of use, the annual operating costs of school buses began to increase significantly and continued to increase each year thereafter. NASDPTS suggests that Type C and D buses should be replaced after 12-15 years, and Type A and B buses (lighter duty design buses) after 8-12 years. It also notes that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. Based on these guidelines, the District's current fleet appears relatively young (see **Table 5-12**).

OPPAGA recommends that school boards adopt a policy that addresses the cost effective replacement of school buses. The replacement policy should include criteria such as age, mileage, and maintenance costs vs. vehicle value.

RHLSD relies on the experience and knowledge of the mechanics when making decisions concerning the replacement of buses. However, without a formal bus replacement plan, RHLSD cannot adequately consider replacement costs in its budget. Conversely, replacement criteria will provide RHLSD with a basis for formulating long range plans to assess capital needs.

*Transportation Policy and Communication***R5.5 RHLSD should develop formal guidelines to help drivers identify conditions that qualify as hazardous. This would better ensure consistency in the identification of potentially hazardous areas and overall safety in the transportation of all students.**

According to RHLSD's Transportation Policy, bus drivers turn in detailed route sheets by the beginning of the school year that include identified route hazards. The policy states that exceptions may be made for a temporarily or permanently disabled child who has been so certified by a physician and in the case of adverse safety conditions. However, the District lacks formal guidelines to help identify and define potentially hazardous conditions.

According to *Identification and Evaluation of School Bus Route and Hazard Marking Systems* (National Association of State Directors of Pupils Transportation Services (NASDPTS), 1998), a critical component of school bus driver training is the recognition of potential driving hazards and appropriate adjustment of driving behavior to ensure the safety of school bus occupants. Developing a set of guidelines that bus drivers and transportation personnel could use to identify bus route hazards would improve the school district's identification and evaluation process. An annual review of each school bus route by a person trained to identify potential hazards would provide the basis for greater consistency. Examples of "driving hazards" encountered while operating a school bus are railroad crossings and industrial intersections. "School bus loading zone hazards" encountered at bus stops are busy streets or dangerous curves.

OAC 3301-83-20 states that school bus drivers should regularly report any pedestrian or vehicle concerns such as the following:

- Construction sites;
- Heavy traffic volume;
- Posted speeds in excess of 35 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 lack of formal guidelines results in bus drivers independently identifying possible hazardous conditions, increasing the risk of inconsistency.

R5.6 If the District continues to experience financial difficulties, it should consider reducing transportation services to a level closer to State minimum requirements. However, prior to making reductions in service, the District should work with ODE to determine any potential reductions in State reimbursements to ensure that savings would outweigh the loss of revenue. The District should also ensure the safety of students would not be compromised by reducing service levels.

RHLSD offers transportation services that exceed State minimum requirements by transporting all students living more than one-half mile from the school of attendance and by transporting high school students. RHLSD uses its buses to transport students of all ages together because of the school start times and routes designed by neighborhood. The high school, middle school and one elementary school are on the same campus. According to the Transportation Supervisor, walking conditions are often hazardous due to the rural nature of the District.

ORC § 3327.01 stipulates that all city, local, and exempted village school districts where pupils in grades kindergarten through eight live more than two miles from the school which they are assigned by the board of education must provide transportation to and from school. School districts are also required to provide transportation to community school and non-public school students (non public-riders) on the same basis as their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school, regardless of the distance, and to educable mentally retarded children in accordance with standards adopted by the State Board of Education. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child. Transporting regular needs high school students and regular needs students in grades K to eight who live closer than two miles from school are optional.

School districts receive reimbursement for students in grades K-12 that reside more than one mile from the school of attendance. The formula used to calculate FY 2003-04 and FY 2004-05 transportation funding relied on a regression formula, which established the relationship between per pupil transportation costs for Type I and II riders and daily miles per pupil and percent of pupils transported. However, for FY 2006, the State suspended the use of this formula and instead set transportation funding to increase by two percent annually in FY 2005-06 and FY 2006-07. ODE will develop a new formula to calculate transportation reimbursements for school districts beginning in FY 2007-08. **Table 5-13** illustrates riders, costs and reimbursements for the past three fiscal years.

Table 5-13: RHLSD Transportation Reimbursements

	FY 2003-04	FY 2004-05	FY 2005-06
Total Riders	1,519	1,454	1,019
Total Costs	\$752,864	\$735,455	\$735,357
Reimbursement	\$480,261	\$434,929	\$443,627
Reimbursement as % of Costs	63.8%	59.1%	60.3%

Source: Ohio Department of Educations T- Forms and SF-3 Reports

As shown in **Table 5-13**, transportation reimbursements comprised approximately 60 percent of total costs in each year.

R5.7 RHLSD should create a website to communicate transportation information to employees and the community, including bus stop locations and times, department policies and procedures, and snow delays. Doing so would increase access to important transportation information. If the District uses the website to allow parents and students to obtain specific student-related information, RHLSD should implement the appropriate measures to ensure the security of such information.

RHLSD establishes authorized bus stops so that one is available within reasonable walking distance of the home of every transported resident student. Students may walk up to one-half mile to the pick-up point. The District communicates bus information, including bus number, pick-up location, and pick-up time to parents and students through the local newspaper before the start of the school year and mails parents of Kindergarten students appropriate bus numbers and pick-up locations before the start of school. The district posts scheduled stops by time and location. However, according to the Transportation Supervisor, many parents end up calling to confirm the time. If parents do not see the newspaper article or have questions concerning their child's transportation information, they contact the Transportation Supervisor directly. The District notifies the parents in writing of any changes made to routes throughout the school year, such as time or location of pick-ups. Drivers give the students this written notice when departing the bus in the afternoon.

OPPAGA suggests that school districts use every practical means of communication to provide timely information to parents and guardians through newsletters, flyers, websites, etc. Lakota Local School District (Ohio) provides a link on its homepage to a webpage strictly dedicated to the transportation department. This webpage provides individual student information for public and non-public students and is accessible with a student ID number. Also available on the webpage are registration forms, appeal forms, parent responsibility information, student safety information, consequences of misbehavior, permission to change bus stops, and contact information.

Although the District should continue to use several methods to communicate transportation-related issues to parents and students, the lack of a website prevents RHLSD from using another easy and convenient method of communication.

Alternative Transportation Methods

R5.8 RHLSD should consider developing a comprehensive plan to encourage students to walk or bike to school. In addition, RHLSD should actively apply for grants from Safe Routes to School (SRTS) program by visiting the Ohio Department of Transportation's website at www.dot.state.oh.us/saferoutes.

According to the Transportation Supervisor, RHLSD is comprised of many rural areas with hazardous conditions that often make walking to school dangerous for students. These conditions include many busy state routes, high speed limits, and unsafe intersections. This has contributed to the District's reluctance to promote walking and biking to school.

According to *Kids Walk to School* (Department of Health and Human Services Centers for Disease Control and Prevention), only 13 percent of all trips to school are made by walking and biking. In the past 30 years, the number of overweight children has increased by 63 percent. Walking to school and staying physically active results in potential benefits to children, such as:

- Makes students more alert and helps them do better in school;
- Improves self image and independence;
- Contributes to a healthy social and emotional environment; and
- Increases the likelihood that children will grow into adults who lead more active lifestyles, improving chances for better health.

Safe Routes to School (SRTS) is a federal program that provides limited funds to states including Ohio. Districts use these funds to improve the ability of primary and middle school students to walk and bicycle to school safely. The purposes of the program are:

- To enable and encourage children, including those with disabilities, to walk and bicycle to school.
- To make bicycling and walking to school a safer and more appealing transportation alternative, thereby encouraging a healthy and active lifestyle from an early age.

- To facilitate the planning, development, and implementation of projects and activities that will improve safety and reduce traffic, fuel consumption, and air pollution in the vicinity (approximately 2 miles) of primary and middle schools (Grades K-8).

The Ohio Department of Transportation (ODOT) will appropriate about \$19 million to SRTS over the next four years for a variety of projects. Eligible projects and activities include infrastructure related projects such as sidewalk improvements, traffic calming and speed reduction improvements, and pedestrian and bicycle crossing improvements. Not less than 10 percent and not more than 30 percent of appropriated amounts are to be used for non-infrastructure related activities to encourage walking and bicycling to school, including public awareness campaigns and outreach to press and community leaders, traffic education and enforcement near schools, and student sessions on safety, health, and environment. Ohio expects to request the first round of grant applications by January 2007. Likely applicants will be state, local and regional agencies.

Funding from SRTS could assist RHLSD with improvements to the physical areas that may be hindering students from walking to school, and provide a means to reach out to students and the community through educational and awareness programs regarding health and safety of children as well as adults.

Compensation

R5.9 Subject to consultation with its legal counsel and subject to negotiations with the collective bargaining unit, RHLSD should eliminate its practice of paying a minimum of four hours per day to bus drivers. Instead, the District should pay bus drivers for the actual time worked each day. If RHLSD cannot eliminate the entire four hour minimum pay, it should reduce the minimum number of paid work hours to no more than two for transportation personnel and require drivers to work during the entire period for which they are receiving payment by identifying other duties they can perform. Compensating bus drivers for time actually worked will allow RHLSD to better control personnel costs.

RHLSD's collective bargaining agreement does not stipulate a minimum number of paid hours for bus drivers on regular school days. However, according to the Transportation Supervisor, drivers receive a minimum pay of four hours each day. This time includes the 15-minute pre trip inspection and the 15-minute post trip inspection. If the driver works more than four hours, payment is for time worked. There were negotiations in 1998 concerning the ratification of the Rolling Hills classified employees contract. A letter received on August 26, 1998 from the attorney conducting the negotiation between the union and RHLSD summarized the proposed changes to the contract. The language reads

“four hour per day requirement for bus drivers.” However, the contract does not include this language and there is no addendum regarding this matter.

Some school districts guarantee a minimum of no more than two hours per route to bus drivers. For example, Cuyahoga Falls CSD’s classified agreement guarantees bus drivers two hours per route. It also states that employees may be required to work the entire two hours. Defiance CSD compensates drivers from the time the bus drivers leave until the bus returns to the garage and stops. Route times for morning, noon, and afternoon are added together and rounded up to the nearest fifteen minutes. Minimum pay for a route is one hour. Hamilton CSD pays bus drivers for actual route time plus the safety check time, without a guaranteed minimum. Lastly, Manchester LSD guarantees only 30 minutes per route.

Compensating bus drivers for four hours of work rather than for actual time worked increases personnel costs for the District.

Financial Implication: Based on actual hours worked and pay for each bus driver in FY 2006-07, RHLSD would save approximately \$11,000 annually by eliminating the minimum pay of four hours per day. It should be noted that the fewest hours worked by a bus driver for FY 2006-07 is 3.25 hours per day.

Security

R5.10 RHLSD should keep personnel files and office doors locked, and limit the number of employees with keys. Doing so would help control security at the transportation facility.

RHLSD has a fence surrounding the transportation facility with a locked gate from approximately 5:00 PM to 6:00 AM. The first employee, usually the mechanic, unlocks the gate in the morning and the last employee, the other mechanic or the Transportation Supervisor, locks it upon departure. The Transportation Supervisor, the two mechanics, the groundskeeper, some custodians and maintenance personnel all have keys to the gate.

RHLSD has two on-site fuel tanks (gasoline and diesel) located inside the gated transportation facility. A switch inside the building controls the tanks. Turning off the switch turns off fuel access. Employee personnel files are located in the Transportation Supervisor’s unlocked office in an unlocked file cabinet. According to the Transportation Supervisor, there is no key to the door.

OPPAGA suggests that staff implement controls over the fueling system to ensure the security and accuracy of its records and the security of its fuel inventory. OPPAGA further suggests that management should make certain that there are controls to limit access and prevent release of confidential and sensitive data.

RHLSD has the means to provide security over access to the fuel pumps and the personnel files by locking the office door. Reducing the number of individuals with keys to the transportation facility and locking office doors will help to increase security.

Purchasing Practices

R5.11 RHLSD should compare fuel prices from multiple sources to ensure that it receives competitive pricing for fuel purchases. To aid in this process, the District should consider joining a consortium(s) such as the Ohio Department of Administrative Services (ODAS) consortium.

RHLSD's Transportation Supervisor orders fuel for the onsite tank located at the District. British Petroleum (BP) is the supplier and has been for many years. RHLSD does not check other suppliers' prices for fuel. The District has developed a good working relationship with BP, as evidenced by BP providing oil when necessary and delaying the billing process in anticipation of falling prices.

According to the *Contract Management Manual* (Voinovich Center for Leadership and Public Affairs at Ohio University, 2001), effective contract management assures the community that the expenditure of taxpayer dollars is strategic and wise. The purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers.

Members of ODAS's Cooperative Purchasing Program can buy supplies and services through state government contracts at state discounted prices. Because RHLSD is a "school" entity, the membership fee would be \$110 annually to join the ODAS State Cooperative Purchasing program. ODAS provides members of the diesel and gasoline contract with weekly fuel prices every Monday that can be used for price comparisons. According to the Treasurer, the District is not a member of the ODAS program.

RHLSD does not request quotes, check prices from other fuel suppliers, or seek to join fuel purchasing programs like those offered by ODAS. While loyalty from a large purchaser such as a school district to a local vendor can be beneficial and appreciated in the community, it is still important to ensure competitive pricing.

Table 5-14 compares RHLSD fuel purchase orders that document the price paid for fuel to prices available through ODAS for the specified periods.

Table 5-14: RHLSD Fuel Purchased Compared to ODAS Prices

Date	Gallons Purchased by RHLSD	RHLSD Price per gallon	Total RHLSD Price	ODAS Available price	Total ODAS Price	Difference
5/3/2006	2,960	\$2.6330	\$7,793.68	\$2.7017	\$7,997.03	(\$203.35)
6/16/2006	2,000	\$2.5230	\$5,046.00	\$2.5519	\$5,103.80	(\$57.80)
6/19/2006	5,000	\$2.5640	\$12,820.00	\$2.6726	\$13,363.00	(\$543.00)
9/27/2006	5,930	\$2.3390	\$13,870.27	\$2.1646	\$12,836.08	\$1,034.19

Source: RHLS and ODAS

Note: RHLSD and ODAS prices include taxes.

Table 5-14 shows the District's fuel prices were lower than ODAS for three of the four time periods. Nevertheless, comparing and documenting fuel prices from a variety of vendors would better ensure that RHLSD purchases fuel at the most competitive price.

Financial Implication: The District would incur costs of \$110 annually to join ODAS purchasing program. If the sample size in Table 5-14 is representative normal activity the District could have saved approximately \$640 per year on fuel or a net saving of \$530 per year.

Financial Implications Summary

The following table summarizes the estimated annual cost savings, costs and revenue enhancements identified in this section of the report.

Summary of the Financial Implications for the Transportation Section

Recommendation		Estimated Annual Cost Savings	Estimated One-Time Revenue Enhancement
R5.2	Eliminate at least three active buses and/or bus runs	\$57,700	
R5.3	Eliminate at least one spare bus	\$1,728	\$24,000
R5.6	Eliminate or reduce the minimum number of paid hours for bus drivers	\$11,000	
R5.11	Use multiple fuel sources	\$530	
Total		\$70,958	\$24,000

Appendix 5-A: Employee Survey Responses

An employee survey was distributed by email to RHLSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback on a variety of subjects and to gauge their perception of customer service and other issues related to transportation functions. The District had a survey response rate of 37.6 percent of total FTEs that were primarily certificated staff responses. Survey responses were made on a scale of 5 to 1, where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. **Table 5-15** illustrates the results of the survey for transportation.

Table 5-15: Transportation Survey Results

Survey Questions	RHLSD Results
1) Effective communication of transportation policies and routes exist.. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 6% 21% 39% 13%
2) Effective coordination of routes and special trips exist between departments. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 3% 17% 43% 13%
3) The transportation department provides timely transportation of students to and from school. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 4% 4% 58% 20%
4) The transportation department provides timely transportation of student to and from special events. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 1% 12% 53% 15%
5) The transportation department is effective in addressing complaints. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 2% 22% 34% 13%
6) Transportation routes are completed with regard to the safety of children. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree	1% 2% 9% 46%

Survey Questions	RHLSD Results
5) Strongly Agree	21%
7) Children arrive in a mindset conducive to learning. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 7% 26% 48% 8%
8) The attitude, courtesy, and work ethic of the transportation department are positive. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 6% 24% 43% 15%
9) Overall, the quality of all transportation services provided is good. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 0% 9% 63% 17%
10) I am satisfied with the District's current transportation policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 1% 12% 54% 15%
11) Safety rules and regulations are adequate and enforced. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 2% 11% 51% 17%
12) Transportation vehicles are clean and well kept in appearance. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 2% 7% 53% 19%
13) Safeguards governing the access and use of parts and inventory are adequate and regularly enforced. 1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree	0% 0% 18% 26% 17%

Note: Some results may not add to 100% because the table does not report the 'no opinion' category and some respondents may not have responded to all statements.

Technology

Background

This section focuses on technology functions in the Rolling Hills Local School District (RHLSLSD or the District). The objective is to assess technology organization and staffing, planning and budgeting, policies and procedures, security, training, and hardware and software deployment. Where appropriate, recommendations for operational improvements are included. RHLSLSD's operations are evaluated against recommended practices and operational standards from several sources, including the SchoolNet 2006 Biennial Educational Technology Assessment (BETA) Survey, the Consortium for School Networking (CoSN), the International Society for Technology Education (ISTE), and Tech Learning Magazine. In addition, ten school districts classified in the same demographic category as RHLSLSD (Rural/Agricultural – high poverty, low median income) as defined by ODE, and with high Ohio Proficiency test scores and low per-pupil expenditures were used as peer districts for benchmarking purposes. The peer districts include Celina City School District (CCSD), Garaway Local School District (GLSD), Indian Valley Local School District (IVLSD), Leipsic Local School District I (LLSD), New London Local School District (NLLSD), New Riegel Local School District (NRLSD), Ridgewood Local School District (RLSD), Southeast Local School District (SELSD), Springfield Local School District (SLSD), and Symmes Valley Local School District (SVLSD). Finally, AOS administered a survey of RHLSLSD employees regarding technology services. Survey questions and results can be found in **Appendix 6-A** at the end of this section.

Organizational Function

The RHLSLSD Technology Department is responsible for supporting all District technical equipment. The Department handles installation, maintenance, purchasing, and training.

RHLSLSD has a three-year technology plan covering FY 2006-07 through FY 2008-09, which was submitted to eTech Ohio and approved by the Superintendent and Treasurer. The plan contains operational goals for the use of technology to align curriculum to State standards and to address issues in areas such as policies, professional development, bandwidth capacity, student access, security, and performance measures. In addition, the District has policies to ensure privacy and the appropriate use of technology, and all Internet users (and the parents of minors) are required to sign a written agreement stating that they will abide by the Internet policies.

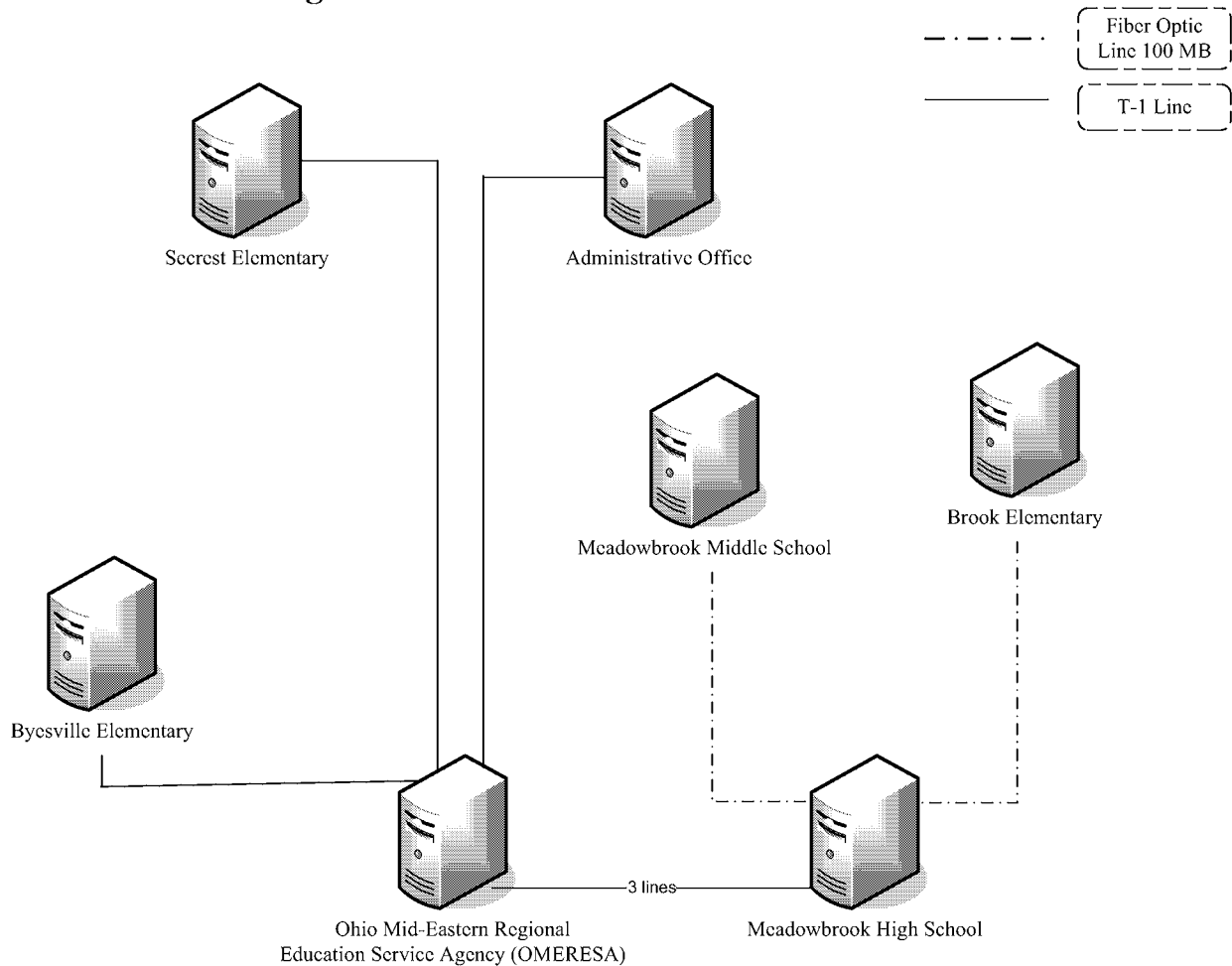
Staffing

RHLSD has had inconsistent staffing in the Technology Department. Typically, RHLSD relies on a Technology Supervisor for administrative functions such as grant-seeking and purchasing, and one or more computer technicians to provide direct user support and occasional user training. During FY 2004-05, the Supervisor took military leave, the Computer Technician became Acting Supervisor, and RHLSD hired two temporary support personnel to handle technical issues. The Technology Supervisor returned in FY 2005-06, but his position, funded through the Ohio Valley Education Service Center (ESC), was reduced from a full-time position of 240 days to a part-time position of only 100 days. During the course of this performance audit, the position became vacant and has not been filled. The Computer Technician is currently performing many of the Supervisor's administrative duties. The Superintendent reports that no plan is in place to seek a replacement for the Supervisor, although the District may hire additional support staff on a temporary basis to handle technical assistance issues. See **R6.6** for further assessment.

Network Infrastructure

Diagram 6-1 illustrates the RHLSD technology network architecture.

Diagram 6-1: RHLSD Network Infrastructure



Source: RHLSD Technology Department

As shown in **Diagram 6-1**, RHLSD connects directly to the Ohio Mid-Eastern Regional Education Service Agency (OMERESA) through T-1 access lines from Byesville Elementary, Secret Elementary, Meadowbrook High, and the Administrative Office. Brook Elementary and Meadowbrook Middle School connect through fiber optic lines (100MB) to Meadowbrook High. RHLSD has a server at each building to run software applications and uses a centralized print server to coordinate networked printing capabilities. RHLSD uses a variety of operating systems including Windows 95, 98, 2000, and XP.

Financial Data

Table 6-1 illustrates total and per pupil technology spending for FY 2003-04 through FY 2005-06.

Table 6-1: District Technology Expenditures

	Actual FY 2003-04		Actual FY 2004-05		Actual FY 2005-06	
	Total	Per pupil	Total	Per pupil	Total	Per pupil
General Fund	\$196,892	\$89.70	\$173,705	\$80.87	\$169,423	\$80.49
Other Funds	\$69,688	\$31.75	\$14,730	\$6.86	\$7,619	\$3.62
Total Technology Expenditures	\$266,580	\$121.45	\$188,435	\$87.73	\$177,042	\$84.11

Source: RHLSD budwork worksheets for function code 2225. Enrollment from ODE EMIS and Fall enrollment counts.

Table 6-1 shows the General Fund accounts for a majority of technology expenditures, and expenditures decreased each year from FY 2003-04 to FY 2005-06. **Table 6-2** details expenditures by category for FY 2003-04 through FY 2005-06.

Table 6-2: RHLSD Technology Expenditures by Category

Category	Actual FY 2003-04	Actual FY 2004-05	% Change	Actual FY 2005-06	% Change	Three Year Change
Salaries/Benefits	\$148,208	\$131,715	(11.1%)	\$109,474	(16.9%)	(26.1%)
Purchased Services	\$44,077	\$44,168	0.2%	\$56,085	27.0%	27.2%
Supplies & Materials	\$17,433	\$6,020	(65.5%)	\$4,980	(17.3%)	(71.4%)
Capital Outlay	\$56,863	\$6,532	(88.5%)	\$6,504	(0.4)%	(88.6%)
Total	\$266,580	\$188,435	(29.3%)	\$177,042	(6.0%)	(33.6%)

Source: RHLSD budwork files for function code 2225

Reasons for significant changes in the individual categories illustrated in **Table 6-2** are as follows:

- **Salaries/Benefits:** The decrease in FY 2004-05 was due to the Technology Supervisor's military leave. This caused RHLSD to employ two temporary technicians, whose total compensation was less than the Supervisor's, to assist the Computer Technician in FY 2004-05. The additional decrease of 16.9 percent in FY 2005-06 was due to the reduction of the Supervisor position to part-time status.
- **Purchased Services:** The increase of 27.2 percent in FY 2005-06 was due primarily to an internet connection fee. An antivirus license update, increased technical staff mileage, and printer maintenance also contributed to the increase.
- **Supplies and Materials:** Spending declined dramatically in FY 2004-05 partially because FY 2003-04 expenditures included General Fund purchases of two laser printers and some additional purchases made through E-Rate funding.

- **Capital Outlay:** In FY 2003-04, expenditures from SchoolNet and other State funds permitted RHLSD to purchase computers and technology equipment. Reduction of these funds in subsequent years accounts for the lower expenditures.

Noteworthy Accomplishments

During the course of the performance audit, AOS identified the following noteworthy accomplishments:

- **Wireless Technology:** Three of RHLSD's buildings (60.0 percent) have limited wireless network technology. This is higher than either the peer district average of 54.0 percent or the Statewide 44.1 percent. Wireless connections are available at Secrest Elementary, Meadowbrook High, and Meadowbrook Middle. RHLSD has used wireless technology to solve problems associated with rewiring an older building for cafeteria terminals and for connecting remote locations, such as the transportation building and a special education classroom. According to the *Executive Summary: A Guide to Wireless LANs in K-12 Schools*, (CoSN, 2006), using wireless networks to overcome structural issues and expand existing infrastructure, where buildings are older or less accessible, can result in financial savings and expanded technology options.
- **Networked Printing Options:** RHLSD uses laser printers for the networked printers accessible by all staff. According to *Inkjets Versus Laser Printers* (Small Business Computing, 2005), the cost to purchase and supply ink cartridges for a common laser printer is one-eighth that of an inkjet printer. In addition, RHLSD uses these networked printing devices as copiers and scanners. According to *Multifunction Printers* (PC Magazine, 2000), multifunction devices require less space than separate devices, need fewer manuals and cables, can share consumable supplies, and usually present a common software interface.
- **Security Card Readers:** RHLSD's use of electronic card readers and access panels on strategic interior doors provides security from unauthorized entry and protection against theft of technology assets.
- **Uninterruptible Power Supply (UPS) Units:** RHLSD uses uninterruptible power supplies (UPS). Portable backup generators throughout the District secure technology devices and preserve functionality in the event of unexpected power loss. According to *Redundancy in All Things* (PC Magazine, 2002), UPSs are often overlooked but should be included in planning a backup facility. UPSs can be an important part of this redundancy in the event a temporary facility must work as the primary facility. Furthermore, having back-ups ensures that information and services can continue, thereby helping the District recover rapidly and cost-effectively from potential disasters.

- **Use of Teacher Web Pages:** RHLSD uses teacher web pages to enhance communications with parents. According to the 2006 BETA survey, 59.1 percent of RHLSD teachers report using web pages on a daily or weekly basis to post class-related information. By comparison, only 23.6 percent of peer district teachers and 23.4 percent of teachers across the State report using these pages on a daily or weekly basis.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted in several other areas, which did not warrant changes or yield any recommendations. These are discussed below:

- **Technical Experience:** RHLSD has only two regular technology staff members with one position becoming vacant in FY 2006-07. The remaining Computer Technician has sufficient experience in the field of computer science and service.
- **Network Architecture and Bandwidth:** RHLSD's network configurations appear consistent with the peer districts and the State. All District building connections to the Internet are through the switched 100mb Ethernet line, compared to the peer and State averages of 96.7 and 89.4 percent, respectively. While RHLSD currently has fiber optic lines only to the two school buildings receiving service through the high school, the District's information technology center (OMERESA), plans to install fiber optic lines in the future. According to the Technology Supervisor, Computer Technician, and a representative of OMERESA, the District's bandwidth is sufficient to handle current usage. Furthermore, forty-eight percent of staff respondents agreed or strongly agreed that the speed of data processing was satisfactory. OMERESA assists in managing the bandwidth and provides recommendations on capacity expansion.
- **Remote Computer Management:** RHLSD uses Novell as remote software that provides a file-sharing system and allows the District to load software or perform updates on many computers at one time. According to the *Technology Support Index* (International Society for Technology in Education (ISTE), 2005), a district is at high efficiency if remote management is available for all computers and is used as a primary strategy of support. Through the implementation of the remote networking technology, RHLSD can load and manage software from a central location, thereby increasing the efficiency of a small staff.
- **Management Software:** The Treasurer and Finance Department use the State fiscal software from OMERESA to manage payroll, financial, and student information. The software allows RHLSD to integrate financial, human resources, student, and fixed asset data and reduces the need for redundant data entry. In addition, RHLSD expanded its application systems by adding Progress Book software, which provides teachers with an integrated grade book, assignment, and web page design system. RHLSD also uses

special management software for the Food Service Department and for ordering repair parts in the Transportation Department.

- **Software Installation Controls:** RHLSD administrative guidelines restrict staff from installing software and assign liability to staff for any damage. In addition, the Computer Technician indicates that the new Windows XP operating system allows administrators to restrict user access to block installation of new software, and approximately 150 older computers have a separate software system that prevents unauthorized software installation. The Computer Technician further noted that web filtering used by OMERESA provides security against unacceptable programming.
- **Information Technology (IT) Internal System Controls:** RHLSD has established general controls in the areas of access, systems maintenance, and operations. The District maintains policies to protect data, equipment, applications, networks, and computer systems from unauthorized access, alteration, or destruction. In addition, it has protective software for technology systems including anti-virus protection, Internet content filtering, spam filtering, and password protection.
- **Acceptable Use Policy (AUP):** RHLSD maintains policies defining the acceptable use of computers and other technology for students and staff. The policies include detailed information on the acceptable use of equipment, appropriate use of the Internet, and security issues relating to data privacy. RHLSD provides copies of the policies to staff and students and requires parents to return a signed form to indicate receipt, which each building retains in the student files. Lastly, staff must sign an initial OMERESA access form and each building is responsible for informing staff about acceptable use.
- **Digital Video and Distance Learning:** RHLSD teachers are attempting to use digital video and distance learning for instructional purposes. Specifically, the 2006 BETA survey indicates that 18.9 percent of RHLSD teachers use digital video in the classroom at least on a monthly basis, which is higher than the peer (16.4 percent) and State (18.0 percent) averages. Although only 4.3 percent of District teachers use video distance learning on at least a monthly basis which is lower than the peer (6.8 percent) and State (7.0 percent) averages, 17.2 percent of RHLSD teachers report using video distance learning at least once per year which is higher than the peer (14.5 percent) and State (8.8 percent) averages.

Recommendations

Planning, Performance and Technology Access

R6.1 RHLSD should develop a formal replacement plan for its computers (e.g., five-year replacement cycle) and related equipment for inclusion in its technology and capital plans (see R4.7 in facilities). The District should budget monies annually to support the replacement plan. Although RHLSD should consider other factors when deciding whether to replace technology (e.g., its financial condition, repair costs, other District priorities, etc.), a formal replacement plan would help the District anticipate and quantify potential costs for replacing computers in the future. It could also help in transitioning all computers to the same operating system. Furthermore, RHLSD should assess the feasibility, potential savings and operational improvements associated with implementation of thin client technology.

RHLSD does not have a written replacement plan or cycle for upgrading technology, including its approximately 426 computers. RHLSD has typically replaced equipment sporadically, based on available funding. RHLSD generally relies on grant funding through SchoolNet to purchase computers. In addition, it typically uses computers until repair becomes impossible or the cost is clearly more than the District can justify. Furthermore, the District uses a variety of operating systems including Windows 95, 98, 2000, and XP.

The *Technology Support Index* (International Society for Technology in Education (ISTE), 2005) classifies the lack of a replacement cycle as low efficiency; and placing equipment on a replacement cycle greater than five years as moderate efficiency, on a 4-5 year replacement cycle as satisfactory efficiency, and on a 3 year or better replacement cycle as high efficiency. According to *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001), school districts should replace computers on a regular schedule, usually every five years. The life cycle of even the most advanced multimedia computer is still only about five years. A replacement cycle should reduce support costs and ensure students have the most current technology available. Absence a replacement cycle, equipment becomes obsolete, and staff time and costs for troubleshooting and support increase.

RHLSD has no plan to install thin-client technology at this time. *Thin Client Technology* (Technical Resource Group, 2002) indicates that in place of a PC, thin client devices are simple computers designed to run applications from a central server, with no hard drive or other moving components. *Thin Client Technology* notes that studies show Wintertms (i.e., Windows-based terminal for thin client computing) run without failure up to five times longer than PCs. It cites the following as other advantages of thin client computing:

- Reducing the time spent in fixing and maintaining computers;
- Decreasing costs because of no hard drive and lower memory (RAM) requirements;
- Improving energy efficiency (some models use 85 percent less energy than PCs);
- Reducing obsolescence as the latest CPU is not necessary for thin client computing, while PCs often need the latest technology to operate the latest software; and
- Eliminating the need to be onsite to address the users' desktops because all administration (e.g., updates) is done centrally on the network domain.

Although thin client computing has various advantages, *Thin Client Technology* also indicates that PCs are a better choice in some cases, specifically for users that need CD access and streaming video and sound, and require applications that are not terminal server friendly. PCs are also the better choice for data and graphic intensive applications. Lastly, the article notes that thin client technology results in lower hardware costs, easier client management, and improved disaster recovery capabilities.

With no replacement plan, RHLSD runs the risk of supporting old equipment that could be draining the budget with high maintenance and related costs. For instance, according to the 2006 BETA survey, 21.4 percent of the District's computers are considered "old" (pre-Pentium 3, Pre-G3). This is higher than the peer (17.1 percent) and State (15.7 percent) averages. Due to the District's financial condition, substantial replacement expenditures may not be feasible at this time (see **financial systems**); however, the development of a plan will assist the District in better anticipating potential costs and communicating the costs of long-term technology maintenance to District residents. Since Windows XP can not be implemented on pre-Pentium computers, replacing computers on a consistent cycle could help the District eventually maintain all computers on the same operating system.

Financial Implication: Based on the District's computer systems and related pricing from the ETech catalogue, replacing 426 computers on a five-year cycle would cost approximately \$60,000 annually. However, if the District actually maintains 750 computers and replaced each computer on a five-year cycle, it would cost approximately \$105,000 annually. See **R6.6** and **R6.18** for further discussion of the District's computer inventory.

R6.2 RHLSD should develop policies and procedures to capture the total cost of ownership (TCO) of technology. TCO should include the initial purchase price of hardware and software, as well as additional long-term costs (e.g., maintenance, replacement and training). TCO should be incorporated into the District's technology plan so that administrators and stakeholders understand the total financial implication associated with technology purchases or projects. To aid in

calculating TCO, the District should consider using the free web-based software developed for this application and centralizing technology purchases (see R6.5). By using TCO, RHLSD could better determine when continued maintenance of older computers exceeds the cost of replacement. Using TCO would also help ensure that the District adequately plans and budgets for purchase and support costs to meet its technology needs, and allow the Board, administrators, and the community to understand the true costs of technology and potential future projects.

RHLSD does not formally integrate TCO into decisions about hardware and software. In interviews and plans, department staff reported consideration of TCO in decisions, but did not incorporate the calculations into planning documents. The lack of formal integration of TCO is due, in part, to the decentralization of technology purchases (see **R6.5**), which has prevented proper tracking of TCO.

According to *Technology Budgeting Basics* (TechSoup, 2000), only about 30 percent of the TCO of a computer system is the initial purchase of hardware, software, and peripherals. The Consortium for School Networking (CoSN), Gartner Inc., and the North Central Regional Technology in Education Consortium at the North Central Regional Education Laboratory have developed a free web-based tool to help school administrators identify all direct and indirect costs associated with operating school networks and ensure that districts have projected adequate resources to support technology investments. While there is not one true number for TCO, the tool allows administrators to evaluate technology decisions with more complete financial information.

By failing to calculate TCO, the District may not allocate sufficient funds for the maintenance or replacement of computers, or may overspend to support outdated equipment. Specifically, by not considering TCO, RHLSD cannot determine when continued maintenance of older computers exceeds the cost of replacement.

- R6.3 RHLSD should implement a system to track the performance of technology services. Specifically, the District should consider purchasing an electronic ticketing system to track work order response times, help prioritize requests, and improve the overall efficiency of the work order process. In addition, the District should periodically survey staff to gauge satisfaction levels and identify potential issues. RHLSD should review the information collected from the electronic ticketing system and surveys to identify appropriate modifications to its technical support strategy and technology plan. Moreover, the District should review the survey administered by AOS (see Appendix 6-A) and further investigate potential problem areas, a process that can be supported by the recommendations in this report.**

RHLSD does not track the performance of technical support. The work order system uses paper tickets for staff to report computer problems, but the Technology Department

does not use this documentation for performance measurement or tracking. Instead, the Technician responds when available to the requests for assistance.

In the past, RHLSD has not conducted an internal staff survey, and instead, relied on eTech’s Biennial Education Technology Assessment (BETA) survey. Despite it failure to track performance, the District’s technology plan indicates that the average response time for technical support is two days, with the goal of attaining an average response time of one day.

Table 6-3 shows the responses to the 2006 BETA Survey asking teachers for the timeframe in which they received technical support.

Table 6-3: Technical Support Response Time

Response Time	RHLSD	Peer Average	State Average
Same day	10.3%	22.2%	26.5%
Next day	12.9%	24.9%	23.4%
2-3 working days	34.5%	28.3%	25.2%
4-5 working days	21.6%	9.7%	8.6%
More than 5 working days	19.0%	13.2%	13.5%
Does not apply to me	1.7%	2.0%	2.7%
Total	100.0%	100.0%	100.0%

Source: 2006 BETA Teacher Survey Q41

Note: Totals may not equal 100% due to rounding.

According to **Table 6-3**, RHLSD had a substantially lower percentage of teachers indicating they had received support the same day, the next day, or 2-3 working days after they had reported technical concerns, when compared to the peer and State averages. As a result, the percentage of RHLSD teachers indicating technical support took four days or longer (40.6 percent) was close to twice as high as the peer (22.9 percent) and State (22.1 percent) averages.

According to the AOS employee survey, fifty-two percent of respondents disagreed or strongly disagreed that answers to requests for assistance are timely, while 56 percent disagreed or strongly disagreed that computer repair requests are answered in a timely manner. Fifty-four percent of respondents also disagreed or strongly disagreed in each of these two areas: computer repair services are easily accessible and technical assistance department is easily accessible. Lastly, 57 percent of respondents feel dissatisfied with the technical assistance provided by the District, and 52 percent of respondents feel that computer systems are unreliable.

The District’s inability to respond to technical issues in a timely manner and ensure sufficient access to requests for support is due, in part, to inconsistent staffing levels (see

R6.6). Furthermore, the lack of a student program to help provide assistance (see **R6.7**), a comprehensive professional development (PD) program for all staff (see **R6.13**), and an internal web site (intranet) to post troubleshooting guides (see **R6.16**) contributes to the Technology Department's ability to provide timely service for all requests.

According to the *Technology Support Index* (International Society for Technology in Education (ISTE), 2005), an entity is at high efficiency when ensuring that quality assurance is measured by a random and automatic system that tracks customer satisfaction and closed tickets. Data is collected throughout the year and used to make necessary adjustments in a school district's technical support strategy. Questions asked are specific to technical support and the data is used to make adjustments. The *Technology Support Index* further classifies as high efficiency the practice of using an electronic trouble ticketing system to record and delegate technical issues.

The failure to review performance based on work order tickets and more routine staff surveys prevents the District from tracking data and performance over time to identify patterns and ensure adequate and timely resolution of problems. Using an electronic trouble ticketing system may help the District track response times and improve the general work order process for technology issues.

Financial Implication: The cost of an electronic trouble ticketing system would be \$3,500 for a period of three years, or approximately \$1,200 annually.

R6.4 RHLSD should review the allocation of computers across school buildings to ensure teachers and students have equitable and sufficient access to technology resources, and that variations are appropriately justified. This review can be aided, in part, by centralizing purchasing for technology (see R6.5). Prior to altering computer allocations, the District should ensure it has accurately identified the computer inventory at each building (see R6.6 and R6.18). In addition, the District should address computer allocations for each building in its technology plan, and ensure the plan accurately presents current conditions and reasonable goals for the future. District officials should also determine the feasibility of providing a computer for each teacher. Alternatively, the District could devise a method whereby each teacher could easily access and use a computer.

While RHLSD's overall ratio meets the State standard of five students per computer, the District had two buildings in FY 2005-06 that exceeded the standard. The technology plan indicates the District currently maintains a student to computer ratio of 3:1 with a goal being a ratio of 2:1. Furthermore, the technology plan does not address student to computer ratios for each building.

Table 6-4 illustrates the ratio of students to instructional computers in school buildings across RHLSD.

Table 6-4: RHLSD Students-to-Computer Ratio by Building

Building	Enrollment Count	Total Instructional Computers (includes computer labs, libraries, and mobile carts)	Students-to-Computer Ratio
Brook Elementary	457	108	4.2
Byesville Elementary	242	65	3.7
Secrest Elementary	227	82	2.8
Meadowbrook Middle	505	94	5.4
Meadowbrook High	656	77	8.5
Building Total	2,087	426	4.9

Source: 2006 BETA Survey and ODE Enrollment

As shown in **Table 6-4**, the allocation of computers between the various buildings varies significantly. Building computer ratios range from a high of 8.5 students per computer at the Meadowbrook High School building to a low of 2.8 students per computer at Secrest Elementary School. Meadowbrook High School and Meadowbrook Middle School exceed the 5:1 student-to-computer ratio. While the District's overall ratio of students per computer meets the SchoolNet target, the peers and districts statewide both averaged approximately three students per computer. However, the lack of a reconciled inventory could impact the data presented in **Table 6-4** (see **R6.6** and **R6.18**). For instance, the Technician indicated the District has an inventory of 750 computers, contrary to the 426 computers reported in the BETA survey. If the District in fact has 750 computers, the student-to-computer ratio falls to 2.8, which would be slightly below the peer and State averages.

According to the 2006 BETA survey, 22.7 percent of teachers reported their respective school does not provide them with a computer, which is higher than the peer (12.2 percent) and State (16.8 percent) averages. Specifically, all of the teachers at two of the ten peer districts reported that their schools provided a computer for their use. Additionally, BETA survey results for two other school districts show that only one teacher and two teachers, respectively, reported they were not provided with a computer.

According to the *SchoolNet Plus Grade 7 FY05 Application and Guidelines Document* (Ohio SchoolNet, 2004), a district should establish a goal of having a student-to-computer ratio of 5:1 in grades K-12. Further, according to *Best Financial Management Practices With Their Associated Indicators* (OPPAGA, 2002), a district should provide equitable distribution of resources among schools by linking each school's educational plan with the technology plan to ensure resources are budgeted to meet planning and curriculum needs.

If RHLSD does not equitably allocate its hardware throughout its different buildings and programs, students and other users may not have an equal opportunity to benefit from technology. While certain buildings may have reasonable differences based on physical limitations of the structures, varying State online testing requirements, or specific academic programming goals, the District has not documented the reasons for those differences. Furthermore, the lack of teacher access to computers inhibits their ability to use technology in the classroom.

Purchasing

R6.5 RHLSD should centralize technology purchases in the Technology Department. It should also create formal procedures to explain the process and include responsibility, signing authority, and timelines. Fully centralizing purchases would better allow for compatibility checks, consolidated purchasing to maximize purchasing power, fraud prevention, and tracking of inventory (see R6.18). As the centralized process takes effect, the Technology Department should ensure it documents price research and evaluations, and requires buildings and departments to do likewise if they participate in this process. This would better ensure that future purchases of equipment are appropriate, low cost, and meet the needs of the District.

RHLSD allows buildings and departments to make purchases independent of the Technology Department. However, the buildings and departments consult the Technology Department on compatibility issues, and the Technology Supervisor indicates the Department often negotiates for a discount on larger technology purchases. The Technology Department staff report that because of the decentralized process, District staff regularly over-order products like printer ink cartridges. The Technology Supervisor and Computer Technician indicated this represents wasteful spending, especially since the District replaced many of the printers and will never use the cartridges. According to the Technology Supervisor, he regularly talks to three or four vendors, and creates a bidding atmosphere in which he tries to obtain the lowest bid. In contrast, the Computer Technician indicated that cartridges are often purchased from a single company without any price research.

According to *Annual Technology Purchasing Forecast for 2004-05* (Quality Education Data (QED), 2004), less than 20 percent of nationally surveyed school districts reported allowing buildings to purchase autonomously. The article *Tech Support Strategies* (techlearning.com, March 15, 2005) by Dave Henderson suggests that school districts assign a point person to examine every purchase order for equipment and software before it leaves the district. This will enforce hardware standards and ensure that all purchased software will run properly and will meet specific educational objectives. Furthermore, according to the *Forum Unified Education Technology Suite* (NCES, 2005), a school

district should document technology considerations in order to present key decision-makers in the organization with analysis even if the decision-making process is informal. The material should give key decision makers all the information they need to make an informed decision.

Failure to centralize technology purchasing increases the likelihood that RHLSD will purchase incompatible or unsupported technology, and incur higher costs by purchasing the same items in smaller quantities and at a higher price.

Staffing and Organization

R6.6 RHLSD should review its computer inventory to identify the actual number of computers the Technology Department is required to actively support. Doing so would help the District ensure sufficient staffing to support users and effectively maintain technology systems. In addition, the District should review the duties previously performed by the Technology Supervisor, and reassign them to another qualified administrator(s). This would enable the Computer Technician to focus on direct user support. Lastly, the District should address the impact of staffing changes as it develops and updates its technology plan to ensure the successful attainment of goals.

Historically, RHLSD has relied on a Technology Supervisor for administrative functions such as grant seeking and purchasing, and one or more computer technicians to provide direct user support and occasional user training. In FY 2005-06, the Technology Coordinator position was reduced to a part-time position of only 100 days. During the course of this audit, the position became vacant and has not been filled. The Computer Technician is currently performing many of the Supervisor's administrative duties. Based on the FY 2006-07 EMIS report (November 2006), RHLSD employs 7.06 administrator FTEs per 1,000 students. This is slightly higher than the peer average of 6.74 administrator FTEs per 1,000 students in FY 2005-06. The Superintendent reports that no plan is in place to seek a replacement for the Supervisor, although the District may hire additional support staff on a temporary basis to handle technical assistance issues.

While the technology plan includes several priorities and feasible action steps, it does not address the impact of staffing reductions. Specifically, the plan states the Technology Supervisor position is to be reduced, but does not include any actions for addressing this disparity nor the potential impact this staffing cut will have on overall Technology Department operations. The technology plan also mentions that the District's goal is to maintain a ratio of 1 support staff to 375 computers. Based on the 2006 BETA Survey, RHLSD has an inventory of 426 instructional computers. However, during the course of the audit, the Computer Technician indicated that the District has 750 computers. Because the inventory differences have not been reconciled, an accurate count could not

be determined (see **R6.18**). However, since the District only has one Computer Technician, the ratio of technical staff to computers could range from 1:426 to 1:750. The Technician addresses administrative functions in addition to his support duties, which affects the level of direct user support. For example, if the Technician were only focusing 25 percent of his time on administrative duties, the ratio for direct user support FTEs would range from a staff-to-computer of 1:568 to 1:1000.

The *Technology Support Index* (ISTE, 2005) suggests a school district is at satisfactory efficiency with a computer-to-technician ratio between 75:1 to 150:1, and is at high efficiency with a computer-to-technician ratio less than 75:1. However, *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001) suggests that a technologically savvy district provides computer support at a ratio of at least one support person for every 500 computers in a closely managed network. This report also indicates that more centralized control of networks with network management software and reducing the number of operating systems and applications that are supported are ways to minimize the number of staff needed to support technology. The District uses remote networking technology to load and manage software from a central location. While the District uses Windows-based operating systems, it currently operates multiple versions of Windows, which is partially due the continued use of older computers (see **R6.1**). Using a thin client system would also further centralize technology administration.

By not reconciling inventory, the District cannot determine the Technology Department's current level of responsibility. This, in turn, prevents the District from ensuring a sufficient level of technology support. This situation is further affected by having the Computer Technician perform administrative functions along with direct user support, which contributes to the inability to provide timely support for users (see **R6.3**). Lastly, seventy-five percent of staff respondents to the AOS survey disagreed or strongly disagreed that the number of technology personnel is adequate to provide support.

R6.7 RHLSD should consider implementing a program to train students to assist in providing technical support. Students could assist the Computer Technician in basic troubleshooting and routine tasks, in exchange for course credit. A student program would help prepare students for careers in technology by educating them in technology support and deployment, while allowing the District to use low-cost resources for some of its technology support needs.

RHLSD does not have a program for using students to assist in providing technology support. RHLSD did use some student assistance in the past during the summer to update programs and connect equipment. Despite not having a student program, the 2006 BETA Survey shows that 15.5 percent of teachers receive assistance on technology support issues from students. This was lower than the peer (26.0 percent) and State averages

(19.0 percent) and contributes to 58.6 percent of RHLSD teachers indicating they receive technical support from another teacher, compared to the peer and State averages of 51.5 and 51.8 percent, respectively.

The *Technology Support Index* (ISTE, 2005) indicates that designing curricular programs to train students in technical support and using students to provide peripheral support as a part of their instructional program are high efficiency practices. According to a National School Boards Foundation survey (December 2001 to February 2002), 54 percent of school districts reported that students are providing technical support in their districts. Key duties included troubleshooting problems, setting up equipment/wiring, and providing technical maintenance. Forty-eight percent of school districts reported providing students with formal training. E-Tech Ohio has developed an online database containing field-proven technology support models from 30 school districts using students.

Software and Hardware

R6.8 RHLSD should develop uniform software and hardware standards for technology. Coupled with the centralization of technology purchases in the Technology Department, this would avoid purchasing and supporting multiple systems and equipment. In addition, RHLSD should implement pilot or trial programs wherever possible to test the functionality of new software prior to purchase.

While buildings and departments consult the Technology Department about compatibility or network capability, the process is informal and has not occurred regularly. This is due, in part, to the decentralized purchasing process (see **R6.5**). At times, RHLSD implements pilot projects to determine the effectiveness of a program, but this has not been a typical practice. In addition, the District lacks a policy that identifies standardized and uniform equipment.

According to *Seven Cost-Saving Strategies* (eSchool News Online, 2003), schools that standardize computer systems can save money and resources by cutting down on technical support and computer training costs. When everyone is working with the same software, it increases productivity between users, simplifies licensing, and makes training easier. According to *Best Financial Management Practices with Their Associated Indicators* (OPPAGA, 2002), a school district should provide opportunities for district and school personnel to preview, emulate, and recommend technology strategies, instructional materials and software. While 39 percent of respondents reported satisfaction with instructional and administrative software in the AOS employee survey, nineteen percent of respondents responded that instructional and administrative software do not meet the needs of users.

The Faribault (Minnesota) Public School District publishes a list of standardized equipment every year. The equipment list contains detailed specifications and requirements for the following equipment:

- Workstations;
- Laptops;
- Printers;
- Monitors;
- Scanners;
- Mouse/Keyboard;
- Fax/Modems;
- Internal/External CD Burners and DVD Burners;
- Personal Digital Assistants;
- Digital Cameras;
- Multimedia Projectors;
- Video Equipment;
- Network-Related Devices;
- External Storage Devices; and
- A comprehensive supported software list.

In addition to the list, forms are attached that can be used to request the purchase of non-standardized equipment. Consequently, employees in the Faribault Schools are provided with an exhaustive list of acceptable equipment that the district will support.

By not having a standard list of uniform equipment and software, RHLSD could create situations where the Technology Department is required to support multiple systems. The District needs to continually communicate to staff the items that are permitted for purchase. Along with the lack of centralized technology purchasing (see **R6.5**), the lack of a standardized list also increases the potential of purchasing incompatible or unsupportable equipment, thus incurring additional costs to maintain multiple systems. Finally, by not testing or piloting potential software purchases, the District increases the risk of purchasing software that does not meet its needs.

R6.9 RHLSD should develop computer donation guidelines and post these on its web site. This effort could be further supported through the development of uniform software and equipment standards (see R6.8). Developing donation guidelines would increase awareness in the community and among potential donors about the items the District is willing to accept.

RHLSD has a written policy on donations stating that the Board may accept gifts on behalf of the District through a resolution at a public meeting. The policy specifies that

RHLSD may refuse the gift if costs associated with acceptance would deplete District resources. Under the policy, the Superintendent has responsibility for counseling the donor on the appropriateness of the gift. However, the policy does not provide guidelines on the types of acceptable equipment or give examples of unacceptable equipment. In practice, RHLSD has not often received gifts of computers although the staff has attempted to work with agencies interested in donating computers. Without guidelines for acceptable equipment, the community and potential donors may not be aware of the District's willingness to accept equipment.

R6.10 RHLSD should expand its policies by including specific policies and procedures for the disposal of technology equipment. Specifically, the policies should address items considered to be hazardous by obtaining information from the Ohio EPA. Policies should also address the removal of data, especially personal and sensitive information.

RHLSD has a written policy governing the general disposal of property. The policy states that the Superintendent has authority to dispose of property valued at less than \$10,000 and specifies that disposal should be considered under circumstances where there are no salvageable repair parts and equipment has no usable life. The policy requires that a record be made of disposed or transferred property as part of the general inventory process. However, the District lacks a disposal policy specifically for computer and other technology equipment.

In practice, the Technology Department staff considers older computers beyond repair when over half the parts require replacement. At that point, the staff strips the machines of spare parts, sends a note to the Treasurer's office noting the equipment to remove from inventory, and discards the equipment. All parts not used are typically placed in a dumpster. RHLSD treats the monitors as hazardous and discards these periodically at the regional solid waste authority's hazardous waste disposal site.

According to *Innovative Solutions to Help Address the Issues and Challenges Facing Most Public School Districts* (TSPR, 2003), unwritten rules are simply no substitute for clearly outlined procedures. Because computer assets involve hazardous waste issues and data security risks in addition to traditional inventory control issues, a computer disposal policy should be developed that incorporates detailed accountability and specific documentation procedures for disposal of these fixed assets. In *Guide to Computer & Electronics Waste Reduction and Recycling* (Ohio EPA, 2005), the Ohio EPA recommends that any facility should consider computers and monitors hazardous unless tested and proven otherwise. According to *Disposal of Old Computer Equipment* (The CPA Journal, 2004), even a small organization may fall under the federal requirement to document proper recycling of all computers. The CPA Journal recommends that organizations obtain and keep written documentation verifying disposal. Finally, the Ohio

EPA indicates that computer monitors, circuit boards and keyboards contain hazardous components contain hazardous materials.

R6.11 RHLSD should begin phasing out inkjet printers in the classroom. Rather than replacing each inkjet printer, the District should assess the feasibility of requiring staff to use the network laser printers. RHLSD should also consider restricting the number of color laser printers and color printing in general to specific approved projects. Taking these measures should allow the District to realize savings by reducing printer replacement costs, eliminating expensive ink cartridges, and streamlining maintenance. If the budget permits, RHLSD should consider the purchase of a networked color laser printer with software to track printing and define usage.

RHLSD uses only laser printers for networked printers accessible by all staff. By comparison, the 2006 BETA survey shows that laser printers comprised 87.9 and 81.2 percent of total network printers for the peer and State averages, respectively. However, the District continues to use inkjet printers in classrooms. More specifically, according to the 2006 BETA, 93.4 percent of classroom printers are inkjets at RHLSD. In contrast, inkjets comprise only 54.1 and 59.0 percent for the peer and State averages, respectively. According to the Technology Department, all District staff can access the shared network printers.

According to *Inkjets Versus Laser Printers* (Small Business Computing, 2005), laser printers are quieter, faster and remarkably hassle free. In addition, ink cartridges for a laser printer are substantially less expensive than cartridges for an inkjet printer. While *Controlling Color Costs* (Information Week, 2004) suggests that color laser printers have now become competitive with color inkjet printers, these printers are still more expensive because color toner costs more than black toner and color toner is used at a faster rate. *Controlling Color Costs* also discusses certain software that permits the administrator to control usage by assigning each user a set number of color prints in any given time period or track network usage in order to estimate costs and control excesses.

R6.12 RHLSD should reassess the costs and benefits of implementing an Internet Protocol (IP)/Voice over Internet Protocol (VoIP) telephony. Specifically, the District should follow up with OMERESA on the costs and general plan related to the proposed installation of fiber optic lines. A VoIP system could potentially result in annual cost-savings in phone services.

RHLSD has previously considered the costs and benefits associated with a transition to Internet Protocol (IP) Telephony; however, it postponed consideration of the technology because of both a lease for phone services that runs through 2007 and the prohibitive costs associated with the initial investment.

According to *A Case for Inter-Building Fiber Optic Networks on OSFC Projects* (Total Systems Integrations (TSI), 2004), centralizing telephone services on the network can reduce the quantity of expensive traditional telephone lines required, providing a significant reduction in monthly phone and telecommunication charges. In *Voice over IP: Your Call* (eSchool News Online, 2003), traditional phone line service is estimated to cost about \$30 per month per line, but the implementation of a telephone system over high-speed data networks is recommended based on reduced maintenance costs and the presence of several special features. For example, the use of a VoIP system allows the introduction of an automated system that offers parents a chance to verify child attendance and provides student access to summaries of homework assignments. According to *Schools Call It Like It Is: IP Telephony Gets Rave Reviews* (eSchool News Online, 2004), implementing a VoIP system makes the most sense for school systems with outdated telephone systems or for districts that are expanding or adding new buildings.

Financial limitations have constrained RHLSD's ability to consider transfer to a VoIP system since the initial investment requires both installation of fiber optic cables to the Internet service provider as well as the purchase of district-wide telephone equipment. However, with the lease for phone services expiring in 2007 and the proposed installation of fiber optic cables by OMERESA, an IP system may now be a cost-effective option for the District.

Professional Development

R6.13 RHLSD should create a comprehensive professional development (PD) program for all District staff, including regular training for the Technology Department. To establish an effective and comprehensive program, the District should develop a list of technology core competencies, assess staff needs, and establish a regular training schedule to address those needs. In establishing this program, RHLSD should use in-house expertise, online training courses, and other low-cost training opportunities.

Developing and following a comprehensive PD program would help increase staff capability and expand training opportunities. This, in turn, would help the District troubleshoot its own problems and reduce the number of low-level support issues requiring intervention by the Technology Department, thus freeing up the Department for more complex issues and allowing more timely support (see R6.3 and R6.6). Regular training would better ensure the Technology Department stays current with advancements in technology; expands other types of skills in customer service, organization, and leadership; and effectively serves the District.

RHLSD provides training sessions for staff, primarily on an as-needed basis. The Technology Department staff has not received regular training. The Supervisor has attended conferences and workshops, but the Technician received excused absences from these conferences. According to the 2006 BETA survey, 26.7 percent of RHLSD teachers rated the District as weak in providing sufficient PD opportunities, which is higher than the peer (16.4 percent) and State (20.7 percent) averages. Likewise, 19.0 percent of teachers rated the principals' support in encouraging teachers to use technology in the classroom as weak, compared to the peer average of 11.4 percent and the State average of 15.1 percent. Moreover, the District has not implemented on-line professional development for technology.

According to the *Technology Support Index* (ISTE, 2006), high efficiency practices for PD include the following:

- A comprehensive staff development program is in place that addresses all staff. The program is progressive in nature and balances incentive, accountability, and diverse learning opportunities.
- Basic troubleshooting is built into the PD program, and is used as a first line of defense in conjunction with technical support.
- Online training opportunities are provided for staff both onsite and remotely, and represent a diversity of skill sets.
- A process and delivery system has been established for just-in-time training organization-wide and is used consistently.
- Expectations for all staff are clearly articulated and are broad in scope. Performance expectations are built into the work functions and are part of the organizational culture.
- Technical staff receives ample training as a normal part of their employment.

The District can incur all professional development training costs or vendors (hardware and software) can assist in providing training eliminating costs to the District.

R6.14 RHLSD should capture its technology professional development (PD) expenditures to ensure it considers PD costs as part of the overall cost of technology. By capturing PD costs, the District would be better able to track total cost of ownership (see R6.2) for technology and ensure it provides a sufficient level of training to staff.

RHLSD does not capture technology training costs for staff in a centralized manner. According to *Technology's Real Costs* (Electronic School, 1999), school districts should budget for staff training so that teachers understand how to integrate technology into the curriculum, support staff keep informed on hardware and software improvements, and the district receives the maximum return on its investment. In *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001), CoSN suggests that before school districts can begin to calculate TCO (see **R6.2**), they must first understand all the costs associated with operating and maintaining a computer network..

Communications

R6.15 RHLSD should fully utilize its web site as a low-cost communication tool by expanding its use to provide the public, students, and teachers with more information. For example, the web site could include the District's continuous improvement plan (CIP), updated transportation information (see transportation section), computer donation guidelines (see R6.9), Board policies, and meeting minutes. In order to ensure the web site is consistent in appearance and information, and is uniformly maintained, the District should assign web site functions for all schools to the Technology Department. Subsequently, the Technology Department should work with each school to ensure appropriate and sufficient information is included.

The Technology Department maintains only the central information pages of the District web site, while individual building web pages created and monitored by the respective building administrators. The elementary school pages have a common design theme, but the other buildings' web pages have distinct styles. The decentralized responsibility and oversight of web site development has contributed to the inconsistent appearances. In addition, the web site contained several broken links, including a school calendar. Furthermore, the web site does not contain information that may be useful to stakeholders in understanding the District, including the continuous improvement plan, transportation information, Board policies, and meeting minutes.

According to *Best Financial Management Practices with Their Associated Indicators* (OPPAGA, 2002), the following is a best practice: the district uses web technologies to improve and enhance communication between groups such as schools, districts, the state, parents, and the community. OPPAGA recommends that districts use these tools to supplement the communication of policies and information, to circumvent costly meetings whenever feasible, and to increase the frequency and speed of communications to parents and teachers. In *Study: School Web Sites Not Making the Grade* (Eschool News Online, 2004), it is recommended that school districts use the web site as a communication channel to build stronger relationships with students, parents, teachers, staff, and community residents, as well as alumni, prospective employees, journalists, and

volunteers. According to *Establishing a Typology of New York State School District Web Site Home Pages from a Public Relations Perspective* (Utica College, 2004), the extent to which a school district can connect with key user groups depends heavily on the web site design and the extent that the site creates an interactive experience.

By maintaining a professional and uniform appearing web site that includes relevant and sufficient information, RHLSD would be using a cost-effective method to enhance communication within the District and with its public.

R6.16 RHLSD should develop an intranet site that includes relevant information like policies and procedures, forms, announcements, troubleshooting guides for technology issues, purchasing catalogues, and training tools. This site could increase overall efficiency by reducing paper documents and, where appropriate, the use of costly meetings, and by streamlining administrative functions. In addition, the District should encourage teachers to use email to increase communication with parents, and explore any barriers that may inhibit more frequent use of email for all staff.

According to the Transportation Supervisor, RHLSD has a server that connects staff to shared files, but the District does not have an internal web site (intranet). For web-based communications, the staff relies on email services provided by OMERESA. All RHLSD staff have access to email although some support personnel do not use the service. According to the 2006 BETA survey, RHLSD teachers report using email services to communicate with parents less often than peer districts or the State. Specifically, only 23.2 percent of RHLSD teachers reported using email to keep in contact with parents on a daily, weekly, or monthly basis, as compared to 46.4 percent of teachers in peer districts and 59.5 percent of teachers across the State. In addition, the AOS employee survey shows that 35 percent of respondents disagreed or strongly disagreed that electronic mail is widely used in the District. While RHLSD does not have an intranet for sharing information within the District, one elementary school uses email for all daily announcements and memoranda, and the middle school started emailing daily announcements in FY 2006-07.

According to *Best Financial Management Practices with Their Associated Indicators* (OPPAGA, 2002), a school district should use email and the intranet to circumvent costly meetings whenever feasible. In *Tips for Building a Successful School or District Intranet* (Eschool News Online, 2000), an intranet is recommended as a vehicle for encouraging communications and collaboration within a school district. An intranet can include administrative information for staff and connect staff to one another through discussion forums and online meetings.

The absence of an intranet site prevents the District from using a convenient and economical method of maintaining and communicating information to its staff.

Security and Internal Controls

R6.17 RHLSD should develop a formal disaster recovery plan for technology systems. Doing so would help the District effectively recover from potential disasters and possibly alleviate foreseeable problems. Once developed, the District should review and update the plan at least annually.

RHLSD has a policy that directs the Superintendent and Treasurer to create an Electronic Data Processing Disaster Recovery Plan, but the District does not have such a plan. RHLSD has a formal Emergency Procedures Manual that outlines certain decision and action steps pertinent during a crisis, but the manual does not address technology systems. In addition, the manual was last updated in September 1999.

Table 6-5 identifies the key elements of disaster recovery planning based on information from the Texas School Performance Review.

Table 6-5: Key Elements of a Disaster Recovery Plan

Build Disaster Recovery Team	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Develop an exhaustive list of critical activities performed within the district. Develop an estimate of the minimum space and equipment necessary for restoring essential operations. Develop a period for starting initial operations after a security incident. Develop a key list of personnel and their responsibilities.
Perform and/or delegate duties	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Test the plan frequently and completely. Analyze test results to determine further needs.
Deal with the damage appropriately.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Do not 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, Safeguarding your Technology, modified by Texas School Performance Review, Eagle Pass School District audit.

Without a disaster recovery plan that addresses the steps in **Table 6-5**, RHLSD may be unable to identify problems before an actual catastrophic failure occurs or effectively address technology disasters.

R6.18 RHLSD should regularly track and reconcile the inventory of technology equipment. For instance, the District should conduct periodic reconciliations between the inventory database and actual physical assets. This would ensure the it complies with grant requirements, maintains accurate information for planning purposes, and prevents potential misuse, abuse or fraud. Furthermore, RHLSD should require staff to obtain authorization from the Technology Department and other appropriate staff prior to transferring equipment.

RHLSD used an automated system for inventory control in the past, but has not maintained the system with regular reconciliations. While the District routinely tags equipment and the inventory database includes recent equipment entries, the Technology Department staff was not actively using the automated system to provide information. The Department staff indicated that some computers are relocated without notifying the Department. This suggests that the location of technology equipment might be substantially different from the inventory records. For example, the 2006 BETA survey reported that the District has an inventory of 426 computers, while the Computer Technician indicated that the District has 750 computers.

According to *How to Manage Your Technology Assets Effectively* (eSchool News Online, 2001), the inventory tracking system must be easy to update and capable of being updated by many people so that data entry does not become an information bottleneck. Staff members need to reconcile information in the system with a physical inventory on a regular basis. This will help remind all employees that they need to keep information up to date, and it will uncover problems while there is still time to solve them.

Without an accurate inventory, the District faces an increased risk of misuse, abuse and potential fraud and may make decisions based on inaccurate information. Furthermore, since State funding for computer purchases requires specific grade level targeting, inaccurate inventory data could result in noncompliance with State requirements and potentially impact future funding.

R6.19 RHLSD should implement the recommendation in the 2005 financial audit Management Letter regarding user identification passwords on cash register terminals in the Food Service Department. Specifically, RHLSD should create unique passwords for staff members in order to provide an audit trail and accountability in the event transactions are not accurate. In addition, the District should restrict users to the specific functions associated with their duties.

The 2005 financial audit made no citations concerning the District's information technology (IT) controls, but did present Management Letter recommendations. One of these recommendations addressed access controls surrounding food service computer terminals used to conduct payment transactions for student and staff meals. RHLSD did not implement the recommendation. Upon learning about the comment during the course of the audit, the Computer Technician agreed to address the issue.

RHLSD's food service software was set up in a manner that allowed two weaknesses in permission levels at terminals. By only assigning passwords to terminals, the District is unable to identify individual staff activity. This makes inappropriate activity difficult to trace and permits each user full access to all applications, including those beyond the scope of the user's job duties.

Failing to assign each user a screen name and individual password weakens controls because the District cannot monitor activity performed by an individual. In addition, allowing unlimited access for all users could result in unauthorized changes to financial or patron information, and increases the likelihood that undetected theft or errors could occur.

Financial Implications Summary

The following table lists annual implementation costs associated with the recommendations in this section. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Technology

Recommendation	Annual Implementation Costs
R6.1 Adopt a five-year replacement cycle	\$105,000 ¹
R6.3 Purchase an electronic work order system	\$1,200
Total	\$106,200

Source: AOS Recommendations

¹ If the District actually maintains only 426 computers and continues to maintain this level, annual replacement costs would be approximately \$60,000. See **R6.6** and **R6.18** for further discussions of inventory accuracy.

Appendix 6-A: Employee Survey Responses

An survey was completed by 94 RHLSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback and perceptions concerning issues related to technology. Survey responses were based on a five point scale where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 6-6** illustrates the results.

Table 6-6: Auditor of State Client Survey

Survey Questions	Client Results
Administrative Software	
1) Users know all major software functions used in their department.	
1) Strongly Disagree	6%
2) Disagree	8%
3) Neutral/Not Sure	21%
4) Agree	30%
5) Strongly Agree	8%
2) Software meets the needs of the users.	
1) Strongly Disagree	7%
2) Disagree	12%
3) Neutral/Not Sure	17%
4) Agree	32%
5) Strongly Agree	7%
3) Software is used effectively and efficiently.	
1) Strongly Disagree	10%
2) Disagree	10%
3) Neutral/Not Sure	20%
4) Agree	29%
5) Strongly Agree	7%
4) Users can get help when needed.	
1) Strongly Disagree	11%
2) Disagree	12%
3) Neutral/Not Sure	16%
4) Agree	27%
5) Strongly Agree	11%
Instructional Software	
5) Users know all major software functions used in their department.	
1) Strongly Disagree	3%
2) Disagree	15%
3) Neutral/Not Sure	17%
4) Agree	31%
5) Strongly Agree	7%
6) Software meets the needs of the users.	
1) Strongly Disagree	6%
2) Disagree	13%
3) Neutral/Not Sure	21%
4) Agree	34%
5) Strongly Agree	5%

Survey Questions	Client Results
7) Software is used effectively and efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	6% 14% 24% 29% 6%
8) Users can get help when needed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	8% 14% 24% 26% 8%
All Users – Software Training	
9) Administrative/office software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	4% 12% 19% 30% 7%
10) Instructional / Classroom software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	7% 22% 18% 31% 8%
11) Training facilities meet user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 15% 25% 31% 7%
12) Training programs are useful. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 13% 17% 38% 12%
13) Users feel more training is needed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 6% 19% 39% 18%
General Computer Operation/Data	
14) Computer systems are reliable. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	14% 38% 22% 22% 3%

Survey Questions	Client Results
15) Speed of data processing is satisfactory. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	5% 19% 22% 41% 7%
16) Access to a printer is adequate. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	10% 15% 13% 49% 11%
17) Systems contain accurate and complete data. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 9% 34% 41% 5%
18) Data from computer systems is useful for decision making or monitoring. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 3% 41% 39% 8%
Technical Assistance	
19) Technical assistance department is easily accessible. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	15% 39% 18% 22% 3%
20) Requests for assistance are answered in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 6) Strongly Agree	16% 36% 22% 21% 3%
21) Computer repair services are easily accessible. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	16% 38% 19% 22% 2%
22) Computer repair requests are answered in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	17% 39% 19% 20% 2%

Survey Questions	Client Results
23) Technology staff is able to solve hardware problems. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 8% 19% 54% 10%
24) Number of technology personnel is adequate to provide support. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	22% 53% 9% 10% 2%
25) I am satisfied with the technical assistance provided by the District. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	13% 42% 21% 18% 2%
26) Electronic mail is widely used. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	15% 20% 16% 34% 4%
27) The Internet is used to access information. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 9% 15% 49% 18%
28) I use the District's intranet to access information or stay informed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 19% 19% 38% 13%
29) District building administration supports the integration of technology into the curriculum. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 3% 18% 44% 25%

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District Response

The letter that follows is the Rolling Hills Local School District's (Rolling Hills LSD or the District) 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 the officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.

In its official response, the District noted some items pertaining to the information and assessments contained in the audit report. The following points address those items:

- The District notes that a reporting error in EMIS may have caused the reported increase of one administrator in FY 2006-07. However, the District did not provide documentation supporting a change. As a result, the audit report still notes the addition of a 1.0 FTE administrator on page 3-6 in the human resources section, based on the District's reported information in EMIS.
- The District notes various problems in implementing reductions to teacher and ESP staffing levels. Ultimately, the recommendations are based on the minimum requirements and formulas defined by State law, and are suggested in light of the District's financial difficulties. In addition, the performance audit recommends that the District consider such reductions, and presents the maximum number of positions that the District could reduce and still comply with minimum requirements in State law. Furthermore, the facilities section of the performance audit contains a building capacity analysis based on FY 2006-07 data, which shows that Rolling Hills LSD is using approximately 80 percent of overall building capacity.
- Similar to the teacher and ESP reductions, the performance audit recommends that Rolling Hills LSD consider reductions in transportation services closer to minimum requirements in State law, based on the District's financial condition. Furthermore, this recommendation states "The District should also ensure the safety of students would not be compromised by reducing service levels."

Rolling Hills Local School District

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January 23, 2008

Mary Taylor, CPA
Ohio Auditor of State
88 East Broad Street
Columbus, Ohio 43215

Dear Auditor Taylor, CPA:

On behalf of the Rolling Hills Local School District Board of Education and the administrative team, we would like to express our appreciation for the time, energy, and detail spent by your staff to put this performance audit report together. A special thanks goes out to Jim Pyers and the team that spent so much time in our district and communicated with us throughout the process. The audit report includes a variety of recommendations and the Board of Education is committed to analyzing those recommendations and implementing those that are feasible. The following comments reference but a few of the recommendations in the report:

Under Executive Summary it is appreciated that efforts already begun are recognized such as the need for additional local revenue to bring us up to the level of our peers, the reductions made in food service, the reductions in force, elimination of positions, and the lack of negotiated pay increases.

Under Human Resources there are a few things that need to be noted:

1. Even though major cuts were made in personnel at the end of the FY 2004-05, we continued to look for cost saving measure and possible reduction as demonstrated by a reduction of 2 positions during the FY 2005-06 as indicated in Table 3-1. The district will continue to look for cost saving measures and reduce costs wherever possible balanced by a watchful eye on the impact identified cuts would have on the education of our students. Other noteworthy changes since Table 3-1 was developed include:
 - a. We have reduced our counselors by 1
 - b. We have reduced our remedial specialists by 1
 - c. We have reduced our maintenance by 1
 - d. We have reduced our bus drivers by 4

One puzzling item in the table is a noted increase by one in administration. This has not happened. There have been no new positions established to justify this increase. This may be a reporting error through EMIS groupings of personnel or it could reflect a transition from one person holding an assistant principal position to another person being employed in that same position.

2. Under recommendations, the district understands the formula used to arrive at the suggestion to cut 20 FTE's from the teaching staff and 8 FTE's from the Educational Service Personnel (ESP) and as noted

elsewhere in the report the district must weigh educational impacts against possible cost saving before implementing any suggestions. There are a number of problems with implementing this recommendation. For us they are as follows:

- a. Under our current building configuration to make those cuts would balloon our student-teacher ratio to 30 or 35 to 1 in some areas, or force the district to cut programs and accelerated classes not achieving the needed number of students.
 - b. The formula used ignores federal IDEA laws requiring special education students to be regular students first.
 - c. The formula ignores the federal goal of trying to get K-3 classes at 18:1, not 25:1 as the traditional formula does.
 - d. The Ohio School Facilities Commission (OSFC) Plan done in 2003 for the district recognized the 25:1 formula, but it acknowledges the need to close a building and add on to two others in order to come close to the 25:1 goal.
 - e. A problem with the ESP formula and a comparison to other districts lies in the geography of our district and the building configuration. We cannot service elementary students in art, music, and physical education for the prescribed amount of time with any less staff because they must travel to buildings spread out in the district. The OSFC plan would make it more feasible to arrive at the goal, but it would require additional local revenue to implement the plan in the form of a bond issue to do the OSFC construction plan.
3. Under recommendations, there are a number of items suggested as negotiated cost savings. The Board of Education embraces all of these and will include them in their next negotiating sessions. The only problem would be to truly negotiate one must give something to get something and our current financial position is weak to gain a significant number of the items, but every effort will be made to move in that direction.
 4. Another area under recommendations speaks to transportation and the district's busing system. One suggestion was to cut more routes than we already have done so as to increase student numbers on busses. Although routing should be looked at often and regularly as shifts happen in stops and family locations, one must always be careful not to increase student riding time anymore than necessary and this district is about to a limit of reasonable riding time. Further, the report suggests the district move closer to state minimums in transportation services. This would imply only transporting K-8 students outside of a 2 mile area from the school building and designated stops being at least .5 miles apart and/or from residences. Not mentioned in the suggestions is the geographic layout of the district, the topography of the district, and the time spent on the job, but not documented by drivers. An example of the latter would be on each inclement weather day the hours spent communicating with homes and the increase in route times due to the weather.
 5. With the listed reasons and/or problems with the recommendations the Summary of Performance Audit Recommendations in the Executive Summary changes dramatically. Until a bond issue is passed to build, renovate, and close buildings the cuts to personnel is not feasible. This reduces the cost savings by \$1,352,000, making the cost savings from areas of recommendations the Board of Education can unilaterally decide without negotiating them with the unions come out to \$98,968. Of this amount in savings there will be added costs to implement other recommendations offsetting some of the savings. Again, the Board of Education will pursue implementing all feasible recommendations while continuing to take advantage of every opportunity to reduce personnel and to aggressively work to negotiate the

other indicated recommendations with the unions.


Under Financial Systems the following needs to be noted:

- The 5 year forecast for the district is reviewed on a biannual basis and submitted to the Ohio Department of Education as required by the O.R.C. twice a year. The current 2007-08 fiscal year will be the third consecutive year that revenues have exceeded expenditures in the funds included in this document. Prior to this, the District had expenditures that exceeded revenues for seven consecutive years going back to fiscal year 1998-99.
- The Board is reviewing the assumptions of the five-year forecasts of the 10 peer districts that Rolling Hills Local School District was compared to with the goal of implementing improved details concerning these assumptions.
- All projections included in the five-year forecast begin with the historical data accumulated from fiscal years 1995-2007.
- If the Board accepts the reports recommendation that projected wage increases on base salaries in future years is warranted then they will certainly be included. However, this is the fourth fiscal year in which there have not been funds available for a base salary increase.
- With the adoption of the 2007-08 five-year forecast textbook and instructional material purchases and capital maintenance expenditure requirements are addressed. Expenditures in these areas were reduced due to the financial status of the District. Waivers were requested and denied by the Ohio Department of Education for the 2005-06 and 2006-07 fiscal years for these expenditures.

Again, on behalf of the Board of Education and the Rolling Hills Administrative team, we would like to thank you for your valuable assistance in helping to develop a more efficient and effective school district. The report needs to be used in everyway it can to improve the services the district provides to the students and residents of the district.

Sincerely,


Gary L. Norris, Local Superintendent


Jeffrey A. Walters, Treasurer



**Auditor of State
Mary Taylor, CPA**

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