



Mary Taylor, CPA  
Auditor of State

FORT FRYE LOCAL SCHOOL DISTRICT  
PERFORMANCE AUDIT

NOVEMBER 5, 2009



# Mary Taylor, CPA Auditor of State

To the Residents and Board of Education of the Fort Frye Local School District:

Based on Fort Frye Local School District's (Fort Frye LSD) October 2008 financial forecast, a performance audit was initiated beginning in February 2009. The functional areas assessed in the performance audit were financial systems and food service, human resources, facilities and transportation. 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 improving the District's financial condition.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Fort Frye LSD's financial situation and a framework for its financial recovery. 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 other 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 and financial implications. This report has been provided to Fort Frye 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 on the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

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

Mary Taylor, CPA  
Auditor of State

November 5, 2009





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# Executive Summary

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## Project History

In accordance with House Bill (HB) 119, the Auditor of State's Office (AOS) conducted a performance audit of Fort Frye Local School District (FFLSD or the District) to identify programs or areas of operation in which it believes greater operational efficiency, effectiveness, or accountability may be achieved. In February 2009, AOS initiated a performance audit based on the District's October 2008 five-year financial forecast, which showed a small positive fund balance in FY 2008-09 but a deficit in future years, projected to grow to \$1.2 million by FY 2012-13.

During the course of the audit, FFLSD submitted an updated forecast dated January 2009 to the Ohio Department of Education (ODE) to reflect cost savings generated through revisions to its medical benefits. As a result of these cost savings, FFLSD projected positive ending fund balances through the forecast period. At the conclusion of this audit, FFLSD submitted its May 2009 financial forecast to ODE, which showed a positive ending fund balance of \$398,000 at the end of FY 2012-13. However, the State passed House Bill 1 on July 17, 2009 that will have an impact on future school district operations (see *Subsequent Events*).

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

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

Audit work concluded in May 2009. The goal of the performance audit process was to assist the FFLSD administration and Board of Education in identifying opportunities for cost savings and improving management practices. The ensuing recommendations provide options that the District should consider in its continuing efforts to sustain its long-term financial outlook.

## District Overview

FFLSD is located in Washington County and, in FY 2008-09, provided educational services to 1,003 preschool through grade twelve students. The District is characterized by a high poverty rate and low growth in local revenues. In FY 2007-08, ODE reported that the District received 45.8 percent of its revenue from local sources, 46.5 percent from the State, and 7.7 percent from

federal sources. The District's expenditures per pupil were \$9,141, compared with the Statewide average of \$9,939. FFLSD met 19 of 30 academic performance indicators established by ODE in FY 2007-08 and was categorized as an *effective* district. In FY 2008-09 FFLSD met 21 out of 30 academic performance indicators and was categorized as an *effective* district.

In FY 2007-08, the District employed approximately 149.6 full-time equivalent (FTE) staff, consisting of 8.3 FTE administrators, 75.8 FTE educational personnel, 4.0 FTE professional/technical personnel, 10.8 FTE office/clerical staff, and 50.7 FTE operations and other staff. The regular education student-to-teacher ratio in FY 2007-08 was 16.9 to 1. District employees are covered under two bargaining agreements: one for certificated staff and one for classified staff.

FFLSD has experienced a decrease in student enrollment over the past several years, with total enrollment in FY 2008-09 down 6.7 percent from FY 2005-06. The District operates four school buildings containing five schools: three elementary schools (grades K-4), and one building that includes the middle school (grades 5-8) and the high school (grades 9-12).

The general economic climate in the region has had a negative impact on FFLSD. According to the U.S. Census Bureau, Washington County's population declined approximately 2 percent from 2000 to 2008, despite an overall population increase of 1 percent in the State of Ohio. Furthermore, the poverty rate was 13 percent in 2007, which is similar to the State average. Despite these economic conditions, the residents of FFLSD have historically supported the schools through property tax levies, which has allowed the District to maintain a wider range of programs than the State minimums.

Washington County promotes economic development by offering companies tax abatements. For instance, the County granted Duke Energy a ten-year tax abatement, and in return, local government entities in the area, such as FFLSD, are receiving payments from Duke Energy to compensate them for their lost revenue during this ten-year period. The District is in the fifth year of its ten-year payment plan. These subsidy payments are scheduled to be paid to the District in the amount of \$463,000 per year for the first five years, and \$700,000 each year after, up to the tenth year. The subsidy payments from Duke Energy are not being used to pay for the District's operating costs. Instead, FFLSD is using these additional funds for capital improvements. In addition, the District is making inquiries to the Ohio School Facilities Commission (OSFC) about the cost of building new schools, and it would use the subsidy payments to help pay for this project.

Overall, FFLSD has several opportunities to adjust operations if it encounters future financial difficulties. At the time of reporting, Ohio school districts were facing fluctuations in major revenue streams and, as a result, needed to be attentive to any changes in revenue. The audit highlights areas where FFLSD employs additional personnel when compared with peer districts. Likewise, the District underutilizes its facilities and, therefore, may be able to close a building to better adjust its operations to its declining enrollment. Finally, the rural nature of the District and

some geographical barriers make its transportation function less efficient than similar operations elsewhere in the State. Suggestions included in the performance audit may assist the District in making incremental changes in operations that could net savings in future years.

In order to maintain its long term financial stability, FFLSD administrators and Board members will have to make continue to make adjustments to District operations. Some of the recommendations in this performance audit are subject to negotiations, but represent opportunities for significant cost savings. Additional savings not identified by this performance audit would provide the District a greater range of choices for cost reductions in the future. Conversely, failure to implement long-term cost saving strategies may require FFLSD to make future reductions in mission critical service areas, such as educational personnel.

## **Financial Outlook**

**Table 2-9** in the **financial systems** section presents the framework for a financial recovery plan for FFLSD that demonstrates the impact of the performance audit recommendations on the District's financial condition. The outcomes in **Table 2-9** are contingent upon the attainment of FFLSD and AOS projections, the timing of implementation of the performance audit recommendations, and the actual impact of those recommendations. See **R2.10** in the **financial systems** section for an additional discussion on this issue.

Prior to the adoption of final strategies for addressing the financial difficulties, FFLSD is encouraged to discuss all potential options with stakeholders to obtain their input and expectations. Furthermore, enhancing the reliability of the five-year forecast (**R2.3** and **R2.4**), developing a strategic plan (**R2.1**), improving data reporting (**R5.3**), and ensuring that revenues meet expenditures in the Food Service Fund (**R2.5**) would help ensure that potential options are based on the most up-to-date information available.

## Subsequent Events

In its updated May 2009 forecast submitted to ODE, the District projected a \$398,000 positive fund balance at the end of forecast period FY 2012-2013. According to FFLSD's financial settlement report from ODE, the District will be receiving \$132,000 less in State unrestricted funding in FY 2009-2010 than in the previous year (FY 2008-09). However, FFLSD will receive American Recovery and Reinvestment Act (ARRA) stimulus funds in FY 2009-2010 which will equal the reduction in State unrestricted funds for the same year. It should be noted that the ARRA stimulus funding will be eliminated in two years (FY 2012-2013), and it is not currently known if the State unrestricted funding will continue to decline after the federal stimulus funding has ended. Therefore, the District should be cautious in its spending patterns to maintain projected positive fund balance at the end of the forecast period FY 2012-2013. Also, the performance audit report should assist the District in its efforts to become more efficient in operations to mitigate potential financial deficits and possible decreases in future State funding.

The majority of the operational expenditure cost savings within this performance audit come from a recommended reduction in staffing. However, during the course of this audit House Bill 1 (HB 1) was passed on July 17, 2009 which may impact the District's staffing levels, as detailed in ORC § 3306.05 and § 3306.06. According to the FFLSD Treasurer, it is not known how HB 1 will affect staffing levels at this time.

Furthermore, HB 1 (ORC § 3321.01 and § 3321.05) provides that School districts currently may offer all-day kindergarten classes or extended kindergarten. However, beginning in the 2010-2011 school year, each school district must provide all-day kindergarten to each kindergarten student, except that, as in current law, the district must honor the wishes of parents who want their children to attend class only for a half day. ORC § 3321.01 and § 3321.05 may not impact FFLSD, as it already provides all day kindergarten.

In September, ODE made funding simulations available based on the model instituted under HB 1. FFLSD's Superintendent and Treasurer provided auditors with a copy of the simulation. According to the Superintendent, the new formula would require additional personnel if it is tied to operating standard staffing requirements.

After the completion of fieldwork, FFLSD hired a third-party vendor to manage its food service operations.

For the 2009-10 school year, FFLSD purchased routing software to help improve the efficiency of its transportation services. At the conclusion of the audit, the District was populating the software with data on stops using GPS units.

Finally, FFLSD made several changes and reductions in staffing during the course of the audit. These changes are outlined in the *client response*.



## **Objectives, Scope, and Methodology**

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall objective of this performance audit is to assist FFLSD in identifying strategies to reduce expenditures and, in turn, help eliminate the potential for future deficits. The following present the major assessments conducted in this performance audit:

- Expenditures, forecasting, stakeholder communication, strategic planning, budgeting, purchasing practices, and food service operations were reviewed in the **financial systems and food service** section.
- District-wide staffing levels, salary and benefit costs, collective bargaining agreements, Board operations, and special education expenditures were assessed in the **human resources** section.
- Custodial and maintenance staffing, facility-related expenditures, policies and procedures, preventative maintenance and planning, and the work order system were examined in the **facilities** section.
- Transportation staffing, expenditures, reporting, and policies and procedures were reviewed in the **transportation** section.

The recommendations in the performance audit comprise options that FFLSD can consider in its continuing efforts to stabilize its financial condition.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was conducted between February 2009 and May 2009.

To complete this report, the auditors gathered a significant amount of data pertaining to the District, conducted interviews with numerous individuals, and reviewed and assessed available information from various sources. District data was deemed reliable unless otherwise noted in the report sections. FFLSD's reported ADM figures or student headcounts used in the financial

systems and human resource sections were subjected to trend analysis, which suggested the data was reasonable, and no further testing was conducted. In the staffing and salary comparisons presented in **human resources**, District and peer data was aggregated on a functional basis to provide more relevant comparisons. 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.

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 to share proposed recommendations. Throughout the audit process, input from FFLSD 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. In addition to the report, auditors also communicated less significant issues separately to District administration.

AOS developed a database of ten districts that was used for peer comparisons. The ten districts are classified by ODE as Type 1 school districts (rural/agricultural, high poverty, low median income). 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. Specifically, the peer districts were Celina City School District (Mercer County), East Guernsey Local School District (Guernsey County), East Holmes Local School District (Holmes County), Garaway Local School District (Tuscarawas County), Leipsic Local School District (Putnam County), Logan-Hocking Local School District (Hocking County), New London Local School District (Huron County), Ridgewood Local School District (Coshocton County), Southeast Local School District (Wayne County), and Springfield Local School District (Mahoning County). Furthermore, external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- Government Finance Officers Association;
- State Employment Relations Board;
- American School and University Magazine; and
- National Center for Education Statistics.

The Auditor of State and staff express appreciation to the Fort Frye Local School District for its cooperation and assistance throughout this audit.

## Noteworthy Accomplishment

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes FFLSD's noteworthy accomplishment identified throughout the course of the audit.

- **Human Resources:** The District made adjustments to its benefit plan that resulted in reductions to its employee retirement and insurance benefits (ERIB) premiums, for annual cost savings of almost \$400,000, effective January 1, 2009.

## Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the District with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report.

*In the area of Financial Systems & Food Service, FFLSD should:*

- Develop a District-wide strategic plan that outlines the vision and direction for all educational programs and operational areas of the District.
- Revise its personal services and benefit projections to incorporate step increases and negotiated wage increases (NWIs) throughout the entire forecast period. By projecting no negotiated wage increases in the last two years of the forecast, FFLSD is presenting a scenario that does not accurately reflect the District's negotiated financial obligations or historical trends.

Furthermore, the District should develop more detailed forecast assumptions to explain the methodologies used in projecting future revenues and expenditures.

- Transfer the appropriate amounts from the General Fund to eliminate negative balances in other funds, in accordance with Ohio law. Additionally, the District should make the necessary adjustments to ensure that revenues meet or exceed expenditures in the funds or should forecast the subsidies required to operate the programs and avoid negative balances.
- Implement direct deposit for all employees. Expanding the use of direct deposit for employees would improve the efficiency of payroll operations in the Treasurer's Office.

- Take steps to control the cost of food products and other supplies and materials associated with the food service operation by developing greater oversight of the purchasing process, obtaining competitive food prices, purchasing less expensive products, and planning less expensive menus. Furthermore, FFLSD should assign responsibilities for purchasing supplies and materials to a single head cook.
- Ensure that all food service related expenses are charged to the Food Service Fund, regardless of any future need to transfer funds from the General Fund into the Food Service Fund.

*In the area of Human Resources, FFLSD should:*

- Develop a formal staffing plan to address current and future personnel needs. A staffing plan will help ensure the District is proactively addressing its staffing needs and aligning them with its educational goals and financial condition.
- Consider eliminating at least 2.0 regular classroom teaching positions to achieve a student-to-teacher ratio similar to the peers if additional cost savings are needed.
- Eliminate 1.5 FTE library aide positions to bring staffing levels in line with the peer average.
- Eliminate 2.0 FTE office/clerical positions to bring staffing levels in line with the peer average. A reduction in the number of office/clerical positions would reduce costs and help avoid future deficits. Additionally, if the District should decide to close a school building, it may be able to eliminate the clerical positions assigned to that building.
- Implement the Bureau of Workers' Compensation's (BWC) leading practices for workplace safety, and enroll in a BWC discount program to reduce workers' compensation claims and the associated costs.
- Negotiate to remove language from its classified contract that sets specific dollar amount limitations on employee contributions to medical insurance premiums. Furthermore, the District should seek to require all bargaining unit staff to contribute at least 15 percent toward the cost of health care and dental insurance premiums. Contributions at the recommended level would be consistent with the State Employment Relations Board (SERB) reported contribution levels and below Kaiser industry averages.

In addition, if the District is unable to negotiate an increase in employee health care premium contributions for all employees, it should then review its benefit plan (e.g., co-payments) within and outside its network to ensure that the plan design and resulting premium costs remain cost-effective for the District

*In the area of Facilities, FFLSD should:*

- Develop a facilities master plan that contains elements of leading practices, including a five-year capital improvement plan, current enrollment projections, and a capacity analysis. The facilities master plan should be used as a road map for addressing future facility needs and planned educational programs, and should be linked to the District's overall strategic plan.

To help implement its facilities master plan, the District should develop a formal five-year capital improvement plan (CIP).

- Consider closing one elementary school in order to reduce excess building capacity and operating costs. When deciding which elementary to close, the District should take into account projected enrollment, building capacity, building utilization, and building condition. Closing one elementary school would bring the District's building utilization rates more in line with industry standards and would eliminate expenditures associated with the day-to-day operation of a building.
- Establish formal policies and procedures outlining energy efficient practices that District staff should follow and use to educate students about reducing energy costs.

*In the area of Transportation, FFLSD should:*

- Increase its operating efficiency and eliminate two buses. It should regularly review its bus capacity utilization by monitoring ridership levels and altering routes periodically to coincide with changes in ridership.

To increase the number of riders per bus, the District should consider altering its bell schedules to allow more time between runs. Where transportation is impractical, the District should consider offering payment in lieu of transportation. Finally, the District should consider using routing software to identify routing options and reroute inefficient runs.

*During the course of the audit, the District purchased routing software and began the implementation process.*

- Develop and implement written procedures for completing, reconciling, and submitting T-forms. The Transportation Director and the Treasurer should verify that all expenditures reported in the T-2 report are consistent with ODE instructions.
- Improve the internal controls over the unsecured fuel dispensing system. Specifically, the District should require submission of a monthly mileage and fuel use report for each bus

driver dispensing fuel from the system, to reduce the risk of theft or misappropriation. The District also should develop written internal control policies and procedures for dispensing fuel and reporting its use. These should be included in the drivers' handbook, and include secondary oversight by an employee outside the Transportation Department.

- Implement various strategies to reduce special needs transportation costs. Options include the following:
  - Promote the use of parent/guardian contracts;
  - Revise its IEP development process;
  - Examine options to reorganize routes to mainstream students; and
  - Solicit competitive bids for special needs transportation.
  
- Reduce its spare bus fleet by two buses. This would result in a spare bus allocation that is more consistent with ODE's guidelines and the peer average.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

### Summary of Financial Implications Impacting the General Fund

	One-Time Cost	Annual Cost	One-time Revenue	Estimated Annual Cost Savings
<b>Recommendations NOT Subject to Negotiations</b>				
<b>R3.2</b> Eliminate 2.0 FTE regular education teachers				\$89,800
<b>R3.3</b> Eliminate 1.5 FTE library aides				\$58,700
<b>R3.4</b> Eliminate 2.0 FTE office/clerical workers				\$43,700
<b>R4.2</b> Close one building and eliminate 1.5 custodial FTEs				\$86,500
<b>R4.5</b> Implement an energy conservation program				\$9,100
<b>R5.1</b> Implement routing software	\$10,000	\$2,000		
<b>R5.7</b> Sell two spare buses			\$3,000	
<b>Subtotal Not Subject to Negotiations</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>\$3,000</b>	<b>\$287,300</b>
<b>Recommendations Subject to Negotiations</b>				
<b>R2.7</b> Implement mandatory payroll direct deposit				\$2,000
<b>R3.5</b> Enroll in the BWC Drug-Free Workplace Program				\$19,000
<b>R3.6</b> Increase health care and dental premium contributions to 15 percent				\$197,000
<b>Subtotal Subject to Negotiations</b>				<b>\$218,000</b>
<b>Total Recommendations</b>				<b>\$505,300</b>

Source: AOS Performance Audit Recommendations

### Financial Implication Impacting the Food Service Fund

	Estimated Annual Cost Savings
<b>R2.8</b> Reduce supplies and materials expenses in food service operations by 10 percent	\$18,000

Source: AOS Performance Audit Recommendation

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**FINANCIAL SYSTEMS  
AND FOOD SERVICE**

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# Financial Systems and Food Service

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## Background

This section focuses on the financial systems and food service operation in the Fort Frye Local School District (FFLSD or the District). It analyzes the current and future financial condition of FFLSD for the purpose of developing recommendations to improve financial management and identify opportunities for greater efficiency. The District's five-year forecast was also analyzed to ensure that the projections were reasonably indicative of future financial conditions. Operations were evaluated against leading practices, industry benchmarks, operational standards, and selected peer districts<sup>1</sup> in order to develop recommendations that will improve efficiency and business practices. Leading practices and industry standards were drawn from various sources including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), and the National Institute of Governmental Purchasing (NIGP).

### *Treasurer's Office Operations*

The Treasurer's Office is responsible for processing payroll, overseeing purchasing, preparing the annual budget and five-year forecast, and reporting FFLSD's finances to the Board of Education (the Board) and District stakeholders. The Office consists of three staff members, the Treasurer, an Accounts Payable Clerk, and an Assistant Treasurer.

### *Financial History and Condition*

In fiscal year (FY) 2007-08, 46.5 percent of revenue received by FFLSD was from State funding, 45.8 percent was from local sources, and 7.7 percent was from federal sources. In November 2006, FFLSD voters approved a 7.32 mill operating levy; however, even with the passage of this levy, the District faces a dwindling ending General Fund balance as its expenses increase at a faster rate than its revenues. In FY 2008-09, FFLSD had a voted General Fund millage of 42.82 mills. The effective millage was 25.39 for residential and agricultural properties. The District's property taxes were estimated to generate approximately \$3.8 million in local revenue for FY 2008-09.

FFLSD has functioned with negative operating cash balances and declining General Fund balances<sup>2</sup> over the last three fiscal years. In January 2009, the District's renegotiated health care

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<sup>1</sup>See the **executive summary** for a description of the 10 peer districts.

<sup>2</sup>General Fund results of operations balances.

premiums took effect and reversed the District's decline in fiscal stability.<sup>3</sup> The forecast FFLSD submitted to ODE in January 2009 projects a small operating deficit in FY 2008-09 and positive operating cash balances from FY 2009-10 through FY 2012-13. Similarly, the five-year forecast projects increasing unreserved fund balances throughout the forecast period. The five-year forecast projects the District will end FY 2012-13 with a positive General Fund balance of approximately \$550,516. After the conclusion of audit fieldwork, FFLSD submitted its May 2009 forecast to ODE which projects a positive unreserved General Fund balance of approximately \$398,000 at the end of the forecast period (FY 2012-13).

### *Financial Forecast*

Ohio Revised Code (ORC) § 5705.391 requires each city, local, exempted village, and joint vocational school district to submit a five-year forecast of general operating revenues and expenditures to ODE. The forecast format consists of three years of historical data, projections for the current and four ensuing years, and a summary of key assumptions.

The FFLSD forecast is presented as **Table 2-1** and illustrates actual revenues, expenditures, and ending fund balances for fiscal years 2005-06, 2006-07, and 2007-08, as well as projected revenue, expenditures, and fund balances for fiscal years 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13.

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<sup>3</sup> The District submitted a revised forecast to ODE in January 2009 which reflected a reduction in the expenditures for the employees' retirement and insurance benefits (ERIB) line as a result of a reduction in health insurance premiums effective January 1, 2009.

**Table 2-1: FFLSD FY 2008-09 Five-Year Forecast (in 000's)**

	Actual			Forecasted				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
<b>Revenue:</b>								
General Property Tax	\$2,981	\$3,436	\$3,816	\$3,822	\$3,842	\$3,868	\$3,880	\$3,880
Tangible Personal Tax	\$119	\$88	\$79	\$69	\$59	\$49	\$39	\$29
Unrestricted Grants-in-Aid	\$4,606	\$4,543	\$4,523	\$4,523	\$4,613	\$4,623	\$4,633	\$4,643
Restricted Grants-in-Aid	\$50	\$56	\$12	\$14	\$14	\$14	\$14	\$14
Property Tax Allocation	\$175	\$312	\$307	\$307	\$313	\$319	\$325	\$332
All Other Revenue	\$689	\$765	\$874	\$874	\$874	\$874	\$874	\$874
Total Revenue	\$8,620	\$9,200	\$9,611	\$9,609	\$9,715	\$9,747	\$9,766	\$9,772
Operating Transfers-In	\$0	\$0	\$12	\$0	\$0	\$0	\$0	\$0
Advances-In	\$26	\$1	\$216	\$15	\$15	\$15	\$15	\$15
All Other Financial Sources	\$8	\$9	\$51	\$20	\$20	\$20	\$20	\$20
Total Other Financing Sources	\$34	\$10	\$279	\$35	\$35	\$35	\$35	\$35
<b>Total Revenue and Other Financing Sources</b>	<b>\$8,654</b>	<b>\$9,210</b>	<b>\$9,889</b>	<b>\$9,644</b>	<b>\$9,750</b>	<b>\$9,782</b>	<b>\$9,801</b>	<b>\$9,807</b>
<b>Expenditures:</b>								
Personal Services	\$4,938	\$4,830	\$4,869	\$4,904	\$5,021	\$5,112	\$5,114	\$5,116
ERIB	\$2,255	\$2,533	\$2,882	\$2,677	\$2,527	\$2,551	\$2,561	\$2,571
Purchased Services	\$1,277	\$1,224	\$1,417	\$1,416	\$1,420	\$1,423	\$1,427	\$1,430
Supplies and Materials	\$482	\$394	\$448	\$398	\$398	\$398	\$398	\$398
Capital Outlay	\$137	\$11	\$75	\$21	\$21	\$21	\$21	\$21
Other Objects	\$220	\$204	\$214	\$214	\$214	\$214	\$214	\$214
Total Expenditures	\$9,309	\$9,197	\$9,906	\$9,631	\$9,600	\$9,720	\$9,736	\$9,751
Operational Transfers - Out	\$17	\$13	\$27	\$12	\$12	\$12	\$12	\$12
Advances - Out	\$1	\$225	\$50	\$15	\$15	\$15	\$15	\$15
All Other Financing Uses	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$18	\$238	\$77	\$27	\$27	\$27	\$27	\$27
<b>Total Expenditure and Other Financing Uses</b>	<b>\$9,327</b>	<b>\$9,434</b>	<b>\$9,982</b>	<b>\$9,658</b>	<b>\$9,627</b>	<b>\$9,747</b>	<b>\$9,763</b>	<b>\$9,778</b>
<b>Result of Operations (Net)</b>	<b>(\$673)</b>	<b>(\$224)</b>	<b>(\$93)</b>	<b>(\$14)</b>	<b>\$123</b>	<b>\$35</b>	<b>\$38</b>	<b>\$29</b>
Beginning Cash Balance	\$1,360	\$687	\$462	\$369	\$355	\$478	\$513	\$552
Ending Cash Balance	\$687	\$462	\$369	\$355	\$478	\$513	\$552	\$581
Outstanding Encumbrances	\$21	\$44	\$11	\$30	\$30	\$30	\$30	\$30
<b>Ending Fund Balance</b>	<b>\$666</b>	<b>\$418</b>	<b>\$358</b>	<b>\$325</b>	<b>\$448</b>	<b>\$483</b>	<b>\$522</b>	<b>\$551</b>

**Source:** FFLSD five-year forecast dated January 2009 (FFLSD Treasurer's Office and ODE)

**Note:** Totals may not sum due to rounding.

By its nature, forecasting requires estimates of future events. Therefore, differences between projected and actual revenues and expenditures are common as circumstances and conditions frequently do not occur as expected. The performance audit includes a review of the assumptions that have a significant impact on the forecast, such as general property tax, personal services, and employees' retirement and insurance benefits. The Auditor of State's Office (AOS) analyzed the District's assumptions and methodologies for forecasting these line items and determined that the methodologies used by the District to project expenditures and revenue were not sufficiently

documented and, in the case of personal services, omitted key cost increases (see **R2.4**). A revision to this line item and improved detail in the assumptions would strengthen FFLSD's forecast.

### *Revenues and Expenditures*

Total revenues are based on the ODE expenditure flow model (EFM) report and are categorized as local, State, or federal. **Table 2-2** compares the District's FY 2007-08 revenues with the peer average.

**Table 2-2: Revenue per Pupil Comparison**

Revenue Category	FFLSD		Peer Average		Difference	
	Total	Per Pupil	Total	Per Pupil	Per Pupil	Percent
<b>Local Revenue</b>	\$4,710,992	\$4,118	\$6,803,560	\$3,810	\$308	8.1%
<b>State Revenue</b>	\$4,777,344	\$4,176	\$8,071,744	\$4,423	(\$247)	(5.6%)
<b>Federal Revenue</b>	\$793,936	\$694	\$1,520,420	\$826	(\$132)	(16.0%)
<b>Total</b>	<b>\$10,282,272</b>	<b>\$8,988</b>	<b>\$16,395,723</b>	<b>\$9,059</b>	<b>(\$71)</b>	<b>(0.8%)</b>

**Source:** ODE EFM revenue for FFLSD and peer districts

**Note:** Totals may not sum due to rounding.

<sup>1</sup> Per pupil represents the EFM average daily membership (ADM).

As shown in **Table 2-2**, FFLSD's FY 2007-08 total revenue per pupil was approximately \$71 less than the peer average. FFLSD relies more heavily on local funding compared to the peers.

Local revenue (property tax) represents almost 50 percent of FFLSD's total revenue, but recent economic conditions have led the Ohio Department of Taxation to project stagnant or declining property valuation in the coming years, which may impact the District's projected revenue collections.

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, operational expenditures by function level should continually be evaluated and prioritized. **Table 2-3** shows a breakdown of FFLSD's FY 2007-08 expenditures on a per pupil basis in comparison with the peer average. Total expenditures are based on the ODE EFM.<sup>4</sup>

<sup>4</sup> The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of kindergarten through twelfth grade students and does not include all the funds accounted for by a school district. Similar to the five-year forecast, the EFM includes the General, Permanent Improvement, and Poverty Aid Fund. However, it excludes items such as the Debt Services Fund.

**Table 2-3: Expenditure per Pupil Comparison**

Expenditure Category	FFLSD		Peer Average		Difference	
	Total	Per Pupil <sup>1</sup>	Total	Per Pupil	Per Pupil	Percent
Administrative	\$1,459,089	\$1,275	\$1,804,674	\$1,042	\$233	22.4%
Building Operations	\$2,599,064	\$2,272	\$3,035,691	\$1,686	\$586	34.7%
Staff Support	\$84,683	\$74	\$392,486	\$192	(\$118)	(61.4%)
Pupil Support	\$976,342	\$853	\$1,518,433	\$793	\$60	7.6%
Instructional	\$5,339,141	\$4,667	\$8,671,868	\$4,841	(\$174)	(3.6%)
<b>Total</b>	<b>\$10,458,319</b>	<b>\$9,141</b>	<b>\$15,423,152</b>	<b>\$8,553</b>	<b>\$588</b>	<b>6.9%</b>

**Source:** ODE EFM expenditure for FFLSD and peers districts

**Note:** Totals may not sum due to rounding.

<sup>1</sup> Per pupil represents the EFM average daily membership (ADM).

As shown in **Table 2-3**, in FY 2007-08, the District's total expenditures per pupil were approximately 6.9 percent higher than the peer average. FFLSD's per pupil expenditures exceeded the peer average in the areas of administrative, building operations, and pupil support. The implementation of recommendations in **human resources, facilities, and transportation** should help bring the District's expenditures per pupil more in line with the peer average. Further analysis of the District's expenditures was completed at the function level to identify areas in which FFLSD dedicated more financial resources than the peers. **Table 2-4** compares the District's FY 2007-08 per pupil expenditures with the peer average at the function level.

**Table 2-4: Function-Level Expenditure Comparison**

Function-Level	Expenditures per Pupil <sup>1</sup>		Difference	
	FFLSD	Peer Average	Per Pupil	Percent
Regular Instruction	\$3,664	\$3,687	(\$23)	(0.6%)
Special Instruction	\$699	\$862	(\$163)	(18.9%)
Vocational Instruction	\$269	\$230	\$39	17.0%
Other Instruction	\$0	\$66	(\$66)	(100.0%)
Support Services - Pupils	\$238	\$350	(\$112)	(32.0%)
Support Services - Instructional Staff	\$566	\$421	\$146	34.6%
Support Services - Board of Education	\$43	\$20	\$23	113.1%
Support Services - Administration	\$869	\$751	\$117	15.6%
Fiscal Services	\$336	\$256	\$81	31.5%
Support Services - Business	\$0	\$9	(\$9)	(100.0%)
Operation & Maintenance of Plant Services	\$988	\$756	\$232	30.7%
Support Services - Pupil Transportation	\$847	\$560	\$287	51.3%
Support Services - Central	\$63	\$29	\$34	118.9%
Food service operation	\$437	\$372	\$65	17.3%
Other Reported Functions <sup>2</sup>	\$123	\$184	(\$62)	(33.5%)
<b>Total</b>	<b>\$9,142</b>	<b>\$8,553</b>	<b>\$589</b>	<b>6.9%</b>

**Source:** EFM inclusion reports for FFLSD and peer districts

**Note:** Totals may not sum due to rounding.

<sup>1</sup> Per pupil represents the EFM average daily membership (ADM).

<sup>2</sup> Includes academic, occupation, and sport oriented activities and co-curricular activities. The amount represents less than 2 percent of total expenditures.

As shown in **Table 2-4**, FFLSD spent \$589 more per pupil in total expenditures than the peer average. Explanations for the higher expenditures include the following:

- **Vocational Instruction:** FFLSD spent approximately \$39 more per pupil than the peer average. Expenses associated with vocational instruction can be attributed to personal services and ERIB costs. See **human resources** for a detailed analysis of FFLSD's benefit expenditures.
- **Support Services – Instructional Staff:** The District spent approximately \$146 more per pupil than the peer average. Personal services and employees' retirement and insurance benefits (ERIB) comprised 44.3 and 34.6 percent of total expenditures, respectively. See **human resources** for a detailed analysis of FFLSD's benefit expenditures.
- **Support Services – Board of Education:** FFLSD spent approximately \$23 more per pupil than the peer average. Purchased services for professional and technical services and travel mileage/meeting expenses accounted for 78.1 percent of expenditures.

- **Support Services – Administration:** FFLSD spent approximately \$117 more per pupil than the peer average. Personal services and ERIB accounted for 55.9 and 33.5 percent of expenditures, respectively. Although the District has taken steps to control its benefit costs in 2009, additional analysis conducted in **human resources** indicated that the District could further control its benefit costs.
- **Fiscal Services:** The District spent approximately \$81 more per pupil than the peer average. Other objects (related to dues and fees) accounted for 38.4 percent of expenditures. Furthermore, personal services and ERIB accounted for 36.0 and 22.0 percent of expenditures, respectively.
- **Operation and Maintenance of Plant Services:** FFLSD spent approximately \$232 more per pupil than the peer average. Personal services and ERIB account for 26.9 and 26.0 percent of expenditures, respectively. Additionally, purchased services account for 37.8 percent of operation and maintenance of plant services expenditures, which include electricity and gas costs. Analysis conducted in **facilities** indicated that the District could control costs associated with utility expenditures by consolidating underutilized facilities.
- **Support Services – Pupil Transportation:** The District spent approximately \$278 more per pupil than the peer average. Personal services and benefits comprised 32.6 and 31.2 percent of total expenditures, respectively. Analysis conducted in **transportation** indicated that the District could control costs by increasing its ridership per bus.
- **Support Services – Central:** FFLSD spent approximately \$34 more per pupil than the peer average. Purchased services related to data processing services accounted for 70.8 percent of expenditures.
- **Food service operation:** The District spent approximately \$65 more per pupil than the peer average. Food and related supplies and materials accounted for 36.8 percent of total expenditures. Additionally, personal services and ERIB account for 27.5 and 35.0 percent of total expenditures, respectively. Analysis of the District’s food service operation indicated that there are opportunities for FFLSD to increase the efficiency of its food service operation (see **R2.8** and **R2.9**).



*Food Service*

FFLSD's food service operation is organized as an enterprise operation, which means it is intended to be self-funded, relying on charges for services to support the costs of the operation.<sup>5</sup> The District's food service operation is comprised of three on-site kitchens and one satellite kitchen. Head cooks in each kitchen are responsible for day-to-day operations, including menu planning, purchasing, data collection for claims reimbursement, and cash handling. The Principal at Lowell Elementary serves as the District's food service director and has limited responsibility in the management of the operation.

**Table 2-5** shows FFLSD's food service financial performance for FY 2005-06 through FY 2007-08.

**Table 2-5: FFLSD Food Services Fund**

	FY 2005-06	FY 2006-07	% Change	FY 2007-08	% Change	3 Year Change
<b>Revenue</b>						
Student Charges	\$218,543	\$223,506	2.3%	\$213,688	(4.4%)	(2.2%)
Earnings-On-Investment	\$181	\$178	(1.7%)	\$178	(0.0%)	(1.7%)
State Grants-in-Aid	\$7,759	\$9,601	23.7%	\$9,239	(3.8%)	19.1%
Federal Grants-in-Aid	\$205,322	\$231,481	12.7%	\$220,405	(4.8%)	7.3%
<b>Total Revenue</b>	<b>\$431,804</b>	<b>\$464,765</b>	<b>7.6%</b>	<b>\$443,509</b>	<b>(4.6%)</b>	<b>2.7%</b>
<b>Expenditures</b>						
Personal Services	\$145,032	\$137,482	(5.2%)	\$137,298	(0.1%)	(5.3%)
ERIB	\$118,330	\$136,331	15.2%	\$174,842	28.2%	47.8%
Purchased Services	\$3,041	\$2,385	(21.6%)	\$2,875	0.0%	(5.5%)
Supplies and Materials	\$163,026	\$191,746	17.6%	\$184,135	(4.0%)	12.9%
Capital Outlay	\$80	\$1,770	2112.8%	\$638	(63.9%)	698.0%
Other Objects	\$0	\$0	0.0%	\$0	0.0%	0.0%
<b>Total Expenditures</b>	<b>\$429,508</b>	<b>\$469,714</b>	<b>9.4%</b>	<b>\$499,789</b>	<b>6.4%</b>	<b>16.4%</b>
<b>Spending Surplus (Deficit)</b>	<b>\$2,296</b>	<b>(\$4,950)</b>	<b>315.6%</b>	<b>(\$56,280)</b>	<b>(1037.1%)</b>	<b>(2551.3%)</b>
<b>Transfers/Advances</b>						
Net Transfers/Advances	\$0	\$7,263	0.0%	\$32,091	341.8%	100.0%
<b>Spending Surplus (Deficit) (Including Transfers)</b>	<b>\$2,296</b>	<b>\$2,313</b>	<b>0.8%</b>	<b>(\$24,189)</b>	<b>(1145.6%)</b>	<b>(1153.6%)</b>
<b>Beginning Fund Balance</b>	<b>\$19,654</b>	<b>\$21,950</b>	<b>11.7%</b>	<b>\$24,264</b>	<b>10.5%</b>	<b>23.5%</b>
<b>Ending Fund Balance</b>	<b>\$21,950</b>	<b>\$24,264</b>	<b>10.5%</b>	<b>\$75</b>	<b>(99.7%)</b>	<b>(99.7%)</b>

**Source:** FFLSD FY 2005-06 through FY 2007-08 year-end financial and federal claim reimbursement reports

**Note 1:** Totals may not equal due to rounding.

**Note 2:** The federal grants-in-aid line item was adjusted to reflect the amount FFLSD claimed, rather than the amount received each fiscal year, because of regular delays in receiving federal reimbursements.

As shown in **Table 2-5**, the District has posted a year-end operating deficit for the past two fiscal years, which has necessitated advances from the General Fund to support the operation over the

<sup>5</sup> However, ORC § 3313.81 stipulates that food service operation may not be used to make a profit.

same period. Additionally, increases in expenditures have outpaced the growth in revenues. Specifically, the District has experienced significant increases in ERIB as well as supplies and materials expenditures. Conversely, reported purchased service expenditures are low, indicating the District is not appropriately accounting for the total cost of the food service operation (see **R2.9**). Moreover, the District has been required to subsidize food service operation, in part, because of the absence of any type of strategic goals or operational measures specific to the management and oversight of the operation (see **R2.1**).

As a component of the performance audit, several measures of operational efficiency were developed for FFLSD's food service operation. A review of student participation in the school lunch program indicated higher levels of participation than peer districts. Moreover, student meal prices were comparable to other Washington County school districts.<sup>6</sup> **Table 2-6** shows financial data for FY 2007-08 and compares FFLSD's Food Services Fund revenue and expenditures with the peers on a per meal equivalent basis.<sup>7</sup>

**Table 2-6: FY 2007-08 Operating Statistics Comparison**

	<b>FFLSD</b>	<b>Peer Average</b>	<b>Variance</b>
<b>Total Meal Equivalents Served</b>	<b>157,253</b>	<b>209,164</b>	<b>(24.8%)</b>
<b>Revenues per Meal Equivalent</b>			
Operating Revenue <sup>1</sup>	\$1.36	\$1.45	(6.5%)
Non-Operating Revenue <sup>2</sup>	\$1.46	\$1.25	16.5%
<b>Total Revenue</b>	<b>\$2.82</b>	<b>\$2.71</b>	<b>4.2%</b>
<b>Expenditures per Meal Equivalent</b>			
Personal Services	\$0.87	\$0.90	(2.9%)
ERIB	\$1.11	\$0.58	91.7%
Purchased Services	\$0.02	\$0.11	(83.1%)
Supplies and Materials	\$1.17	\$1.00	17.1%
Capital Outlay	\$0.00	\$0.01	(57.9%)
<b>Total Expenditure Per Meal</b>	<b>\$3.18</b>	<b>\$2.60</b>	<b>22.3%</b>
<b>Total Gain or (Loss)n Per Meal</b>	<b>(\$0.36)</b>	<b>\$0.11</b>	<b>(428.5%)</b>

**Source:** FFLSD FY 2007-08 4502 reports, ODE Management Reports, and peer data

**Note:** Totals may not sum due to rounding.

<sup>1</sup> Includes charges for paid and reduce priced meals, a la carte sales.

<sup>2</sup> Includes federal reimbursements for participation in the National School Lunch Program, School Breakfast Program, State grants-in-aid, and earnings on investments.

As shown in **Table 2-6**, FFLSD lost approximately \$0.36 for every meal equivalent served in FY 2007-08. While the District's revenues per meal equivalent were higher than the peer average,

<sup>6</sup> Washington County school districts include Belpre Local School District, Marietta City School District, Warren Local School District, and Wolf Creek Local School District.

<sup>7</sup> Per meal equivalents were based on definitions from National Food Service Management Institute. The conversion of meal equivalents used is as follows:

- 1 lunch = 1 meal equivalent;
- 3 breakfasts = 2 meal equivalents; and
- A la carte meal equivalents = a la carte sales ÷ by free lunch reimbursements + commodity value per meal.

expenditures per meal equivalent were 22.3 percent higher than the peer average. **Table 2-6** also indicates that FFLSD has significantly higher expenditures per meal equivalent for ERIB as well as supplies and materials. Expenditure in these areas also increased significantly over the past three years, as illustrated in **Table 2-5**. See **human resources** for a detailed analysis of FFLSD's benefit expenditures. An analysis of food service purchasing practices indicates opportunities for cost savings and greater efficiency (see **R2.8**).

In addition to a cost per meal equivalent, staffing levels were examined for each of the District's four kitchens. Meals per labor hour (MPLH) is an industry standard used to measure the productivity and efficiency of a food service operation. The measurement is calculated by dividing the total labor hours worked by the total meal equivalents served per day at each building in a district. The industry standard is then applied to each building.<sup>8</sup> Overall, FFLSD's food service operation staffing levels were in line with industry standards.

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<sup>8</sup> The industry standard, found in *School Food Service Management for the 21st Century* (Pannell-Martin, 1999), assumes a greater level of productivity the greater the level of meal equivalents served.

## **Audit Objectives for the Financial Systems and Food Service Section**

The following is a list of the audit objectives used to evaluate the District's financial management practices and food service operation:

- What is the District's financial history and does the District have policies and procedures to ensure effective and efficient financial management?
- Does the five-year forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system of communicating its financial data and does the District actively involve stakeholders in the decision making process?
- Has the District developed a strategic plan that links educational and operational plans and incorporates recommended practices?
- Is the District's budgetary process consistent with recommended budgetary practices, and how does the District's revenue and expenditure information compare with the peers?
- Does the District's purchasing practice follow recommended practices and do procedures ensure adequate control over purchases?
- Has the District developed effective internal controls over the payroll process?
- What is the financial status of the District's Food Services Fund?
- How can the District improve the efficiency and performance of its food service operation?
- Does food service management effectively use data to make strategic plans and operational decisions?

Overall, the audit determined that FFLSD has effective internal controls over its financial data and its purchasing process, and that its budgeting process was comparable to recommended practices. Furthermore, the District was timely in its submission of federal reimbursement claims, and had appropriate participation rates, meal prices, and data collection methods within its food service operation.

## Recommendations

### *Planning and Budgeting*

**R2.1 FFLSD should develop a District-wide strategic plan which outlines the vision and direction for all educational programs and operational areas of the District. The plan should clearly delineate the District's goals, objectives, performance measures, and funding sources. Moreover, the strategic plan should be linked to the annual budget, the five-year forecast, continuous curriculum improvement plan (CCIP), facilities master plan (see facilities), and food service plan. The strategic plan should be reviewed annually and amended to reflect changes in internal and external conditions.**

**Within its food service plan, performance measures such as cost per meal equivalent, participation rates, and meals per labor hour (MPLH), will better equip District administrators to identify areas for improvement and greater efficiency within food service operation. Specific performance measures should be implemented for other operational areas as well.**

Although the District does not have a strategic plan, the District submitted its CCIP to ODE for FY 2008-09. The CCIP is a unified grants application and verification system that consists of a planning tool and funding application. The planning tool outlines goals, strategies, and action steps, and the funding application includes the budget for the grants and supporting details. FFLSD's goals include providing professional development for all teachers and establishing educational goals to meet grant requirements.

The Superintendent believes it is important for FFLSD to develop a strategic plan and has started to identify District-wide goals. A leadership team comprised of 12 teachers, guidance counselors, and administrators was tasked with identifying the challenges FFLSD faces, potential solutions to those problems, and District-wide initiatives. The Superintendent will use the information generated by the leadership team in developing goals specific to the Board, teachers, and curriculum. Moreover, the Superintendent will facilitate the implementation of the strategic plan and will create building leadership teams to ensure plans and goals are met.

Historically, food service operation at the District have required support from the General Fund. This can be attributed to the lack of goals and strategies tied to operational benchmarks as well as the lack of management and oversight. The National Food Service Management Institute (NFSMI), through a nationwide task force, identified five performance measures essential to evaluating school food service operation: (1) measure

of profitability; (2) operating ratios; (3) meal and meal equivalent cost; (4) participation rates; and (5) measure of productivity.

The Springfield Local School District (Summit County) tracks the performance of its food service operation on a monthly basis and evaluates the performance at the school and District level. Measures used to analyze the food service operation include profit/losses, labor costs per meal, MPLH, and food costs per meal. **Table 2-6** provides a practical example of how performance measures can identify issues and benchmark performance in an effort to improve operational efficiency.

*Recommended Budget Practice on the Establishment of Strategic Plans* (GFOA, 2005) suggests that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals. An important complement to the strategic planning process is the preparation of an accompanying long-term financial plan. In preparing the strategic plan, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and the activities funded in the budget. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. Accordingly, the District should take the following actions when developing its strategic plan:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Approve, implement and monitor the plan; and
- Reassess the strategic plan annually.

Without a strategic plan to tie the educational, operational, and financial goals, FFLSD risks over-funding or under-funding particular programs relative to District needs. This scenario has already occurred within the District's food service operation, where expenditures continue to exceed revenues. Moreover, any lapses in planning are amplified when resources become scarce, and operational decisions are made without planned budget support. A District-wide strategic plan will help FFLSD gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational mission. Incorporating performance benchmarks ensures the District-wide strategic plan serves as a tool for continuous program and operational

improvement. Additionally, a strategic plan could help improve communication between the District and community, provide direction for the Board, and align operational planning and budgeting processes to the District-wide strategic plan.

## *Policies*

**R2.2 FFLSD should develop and maintain a comprehensive set of financial policies and procedures to govern its operations. These policies should be tailored specifically to the District and its operations and should be based on recommended practices. Once a comprehensive set of financial policies has been developed and adopted by the Board, the District should ensure that its financial and budgetary procedures are consistent with these policies. Complete and up-to-date procedures ensure that District administrators, employees, and other stakeholders have a clear understanding of the processes in each of its operational areas and serve as a readily available resource for the District's accepted and approved approach to day-to-day operations.**

FFLSD has adopted financial management policies within its Board policy manual to help guide the District's financial decision making process. The Board's financial management policies were last reviewed and approved August 22, 2005. FFLSD uses the Ohio School Boards Association (OSBA)<sup>9</sup> to ensure that District policies meet ORC and Ohio Administrative Code (OAC) requirements. However, improving FFLSD's policies and/or procedures could strengthen controls and enhance the District's operations. Developing a comprehensive set of financial management policies, including forecasting and budgeting procedures would help the District prioritize the use of limited resources during volatile economic times and plan for the use of one-time revenue.

*Best Practices in Public Budgeting* (GFOA, 2000) recommends that governments should develop a comprehensive set of financial policies that are consistent with broad organizational goals and should be the outcome of sound analysis. Policies also should be consistent with each other and relationships between policies should be identified. To ensure that its financial management policies follow recommended guidelines, FFLSD should adopt and follow the following GFOA-recommended policies and practices:

- **Debt issuance and management** – The policies should include: purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints; refunding of debt; and

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<sup>9</sup> OSBA provides school districts with a complete service for developing and updating board bylaws and policies, administrative guidelines and procedures, and handbooks.

investment of bond proceeds. Legal or statutory limitations on debt issuance should be incorporated into debt policies.

- **Debt level and capacity** – A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita.
- **One-time revenues** – This policy should limit the use of one-time revenues to ongoing expenditures. By definition, one-time revenues cannot be relied upon in future budgets. A policy on the use of one-time revenues should provide guidance to minimize disruptive effects on services due to non-recurrence for these sources. One-time revenues and allowable uses for those revenues should be explicitly defined within the policy (e.g., government stimulus funds or grants).
- **Unpredictable revenues** – For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.
- **Contingency planning** – This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.
- **Reserve or stabilization of funds** – A jurisdiction should adopt a policy(s) to maintain a prudent level of financial resources to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures.

Including the comprehensive policies recommended by GFOA<sup>10</sup> and tailoring those policies specifically to the District and its operations could help FFLSD better manage its limited resources and help ensure consistency in financial practices. Such policies may also help the District operate more smoothly, be used as a tool for financial decision

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<sup>10</sup> <http://www.gfoa.org/services/df/budget/RecommendedBudgetPractices.pdf>.



making, and improve the ability of the District to take timely action. In addition, financial policies can aid in the overall management of the budget and achievement of the District's long range goals. Finally, the development, approval, and implementation of the above policies would allow FFLSD to have a sound framework upon which to establish District practices of performance measurement, planning, and budgeting.

**R2.3 FFLSD should implement written policies and procedures on financial forecasting which outline preparation timetables, forecast assumptions, and methodologies as well as the process used to update existing forecasts. In addition, the forecasting policy should identify all participants in the forecasting process and include an outline for how and when those participants should review the forecast for accuracy.**

The FFLSD Board policy on budget planning states that the Superintendent and Treasurer are responsible for preparing financial forecasts for at least four years beyond the current fiscal year. However, the policy does not provide specific procedures related to the process of preparing the forecast, nor does it specify the involvement of other administrators. Given changes in administrative personnel, a more detailed policy on forecasting would provide new employees guidance on past practices and Board expectations.

*Documentation of Accounting Policies and Procedures* (GFOA, 2002) suggests formally documenting accounting policies and procedures as an effective method of internal controls for reporting. Policies and procedures should be formalized, approved, and added to the current operational guidelines/policies.

Moreover, *Use of Cash Flow Forecasts in Operations* (GFOA, 2008) notes that a government's forecast preparation process should be organization-wide and as such all operating departments should be involved in developing reasonable expectations of planned expenditures. Collaborative forecasting allows for more accurate measurement and prioritization, relative to governmental goals, of likely resource inflows and outflows.

*Financial Forecasting in the Budget Preparation Process* (GFOA, 2001) recommends that a forecast, along with its underlying assumptions and methodology, be clearly stated and made available to participants in the budget process.

The FFLSD Board policy manual does not contain policies specific to developing the District's five-year forecast. Developing policies and procedures will allow FFLSD to better define the roles of those involved in the forecasting process and provide a more consistent framework and methodology for forecasting District operations.

### Forecasting and Adjustments

**R2.4 FFLSD should revise its personal services and ERIB projection to incorporate step increases and negotiated wage increases (NWIs) throughout the forecast period. By projecting no NWIs in the last two years of the forecast, FFLSD is presenting a scenario that does not accurately reflect the District's negotiated financial obligations or historical trends.**

**Furthermore, the District should develop more detailed forecast assumptions to explain the methodology used in projecting future revenues and expenditures. The District's January 2009 forecast contains insufficient assumptions to explain the methodologies used in forecasting individual line items. Lack of sufficient supporting assumptions may preclude the Board from accurately assessing the forecast prior to approval and may prevent the District's stakeholder from accurately understanding the forecast.**

The Treasurer's forecast assumptions lack sufficient detail and explanation to support the methodology used to forecast each line item. For instance, the Treasurer's explanation for salaries and benefits states that the amounts are based on existing negotiated agreements and that for periods beyond the current agreements, historical patterns regarding salary and benefit increases have been used.

However, analysis of the District's forecasting spreadsheet indicated that the projection did not include a NWI in FY 2010-11, FY 2011-12, and FY 2012-13, although historically the classified and certificated staff have received annual wage increases (comprised of both step increases and NWIs). **Table 2-7** shows the impact of applying a NWI throughout the entire forecast. The projection uses the Treasurer's blended step and NWI of 3.05 percent for certificated staff and 2.05 percent for classified staff.

**Table 2-7: Salary Adjustment to Forecast**

Line Item	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Forecasted Salaries	\$4,904,271	\$5,020,597	\$5,112,339	\$5,114,204	\$5,116,070
Adjusted Salaries	\$4,904,271	\$5,020,597	\$5,140,156	\$5,283,038	\$5,429,892
<b>Difference</b>	<b>\$0</b>	<b>\$0</b>	<b>\$27,817</b>	<b>\$168,834</b>	<b>\$313,822</b>

**Source:** District January 2009 Forecast/AOS Calculations

**Note:** FFLSD did not make changes from its January 2009 forecast to its May 2009 updated forecast in projected salaries.

Changes to the personal services line impact those benefits which are directly related to salaries. The Treasurer was unable to provide a detailed benefit worksheet outlining benefit expenditures for each employee or class of employee. However, the forecasting worksheet used by the Treasurer shows the impact of benefit components, including retirement contributions and Medicare, which directly correlate with the personal services

line. **Table 2-8** shows the effect the adjustments in wages in the out-years of the forecast would have on ERIB.

**Table 2-8: ERIB Adjustment to Forecast**

Line Item	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Forecasted ERIB	\$2,677,121	\$2,526,652	\$2,550,872	\$2,561,161	\$2,571,450
Adjusted ERIB	\$2,677,121	\$2,526,652	\$2,555,183	\$2,578,330	\$2,620,092
<b>Difference</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,311</b>	<b>\$17,169</b>	<b>\$48,642</b>

**Source:** District January 2009 Forecast/ AOS Calculations

**Note:** FFLSD did not make changes from its January 2009 forecast to its May 2009 updated forecast in projected ERIB.

Although the Treasurer has not included thorough assumptions or maintain detailed supporting documentation, he routinely updates the forecast based on historical trends. For instance, the Treasurer regularly reviews the monthly budget to actual expenditures (SM-2 report), gauges the accuracy of his projection, and makes adjustments where necessary. This is considered a recommended practice in forecast preparation.

The *Auditor of State's Best Practices* (AOS, Spring 2004) notes that a common problem with forecasts is that they do not contain adequate assumptions. Sometimes assumptions are based on unsupported or inaccurate information. As assumptions are the essence and most important determinant in developing useful financial forecasts, the entity should include detailed, sound assumptions in each forecast. AOS recommends that assumptions should be sufficiently detailed to allow the reader to understand the factors included in each line item of the forecast. Best practice forecasts are accompanied by explanations of each assumption which often include supporting documentation. Supporting documentation may include trend analyses, expert opinion, or other critical information.

The auditing and accounting guide *Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2008) states that the disclosure of significant assumptions is essential to the reader's understanding of the financial forecast. The basis or rationale for the assumptions should be disclosed to assist the user of the financial forecast to understand the presentation and make an informed judgment about it.

Identifying those assumptions that, at the time of preparation, appear to be significant to the financial forecast requires the careful exercise of judgment by the responsible party. By nature, financial forecasts embody a large number of assumptions and an attempt to communicate all assumptions in great detail may be unreasonable. At minimum, the assumptions disclosed should include:

- Assumptions about which there is a reasonable possibility of the occurrence of a variation that may significantly affect the prospective results; that is, sensitive assumptions;
- Assumptions about anticipated conditions that are expected to be significantly different from current conditions, which are not otherwise reasonably apparent; and
- Other matters deemed important to the prospective information or its interpretation.

FFLSD could increase the accuracy and reliability of the forecast by taking into account AICPA recommended practices and avoiding common forecast problems identified by AOS and outlined in *Best Practices* (Spring, 2004). Without fully explaining forecast line-items, the District risks a loss of both internal and external stakeholder support and confidence in the accuracy of the forecast.

**R2.5 The District should transfer the appropriate amounts from the General Fund to eliminate negative balances in other funds in accordance with Ohio law.<sup>11</sup> Additionally, the District should make the necessary adjustments to ensure that revenues meet or exceed expenditures in the funds or should forecast the subsidy required to operate the programs and avoid negative balances. In order to maintain a positive fund balance and resolve the ongoing deficits in its various funds, the District should develop a long-term strategic plan tied to its forecast and annual budget, as recommended in R2.1.**

FFLSD's financial audit management letters dating from FY 2005-06 through FY 2007-08 include noncompliance citations for carrying negative balances in several funds, indicating that money from one fund was used to cover the expenses of another fund. As of October 31, 2007 the following funds had negative fund balances:

- Management Information Systems Fund;
- One Net Subsidy Fund;
- Title VI-B Fund;
- Title II-A Fund;
- Lunchroom Fund;
- Uniform Supply Fund; and
- Self-Insurance Fund.<sup>12</sup>

ORC § 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. Transfers can be used as permanent reallocations of

<sup>11</sup> ORC § 5705.14 through ORC § 5705.16.

<sup>12</sup> The Self Insurance Fund had a positive ending balance in FY 2008-09.

money from one fund to another only as authorized in ORC § 5705.14 through ORC § 5705.16.

Negative fund balances can be corrected either through advance or transfer from the General Fund. *AOS Guidance document 97-03 Accounting for Inter-Fund Advances* provides details on the use of advances which must be repaid by the fund in question or transfers which are permanent. Either way there is short- or long-term impact on the General Fund to support programs with expenditures exceeding revenues. As a result, the District should take the steps necessary to correct negative fund balances and ensure it is clear on the impact these transfers have on the General Fund and forecast.

### *Communication*

**R2.6 FFLSD should include information on its web site that informs and educates parents, community members and stakeholders about its operations and conditions. By making information about its operations available on the web site, FFLSD would help minimize the costs associated with dissemination of information. Furthermore, improved information sharing may help FFLSD increase community involvement and encourage stakeholder feedback.**

The FFLSD website includes links to the Treasurer's five-year forecast, recent and archived Board agendas and minutes, contact information for administrators and Board members, and an annual food service report documenting receipts and expenditures. However, the District has not included detailed forecast explanations (see **R2.3**), the tax budget, monthly financial reports, property tax, millage, and valuation its web site although this would help FFLSD to educate the public about the District's financial situation and potentially increase public awareness and support. The District also does not use its web site to share District-wide newsletters with parents and stakeholders.

Furthermore, the District does not use the web site to store and communicate human resource related forms and procedures for faculty and staff. Making leave forms, policies, and staff development guidelines available in electronic format makes it easier for employees to obtain needed information.

According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government that effectively uses its web site can realize a number of benefits including increased public awareness, increased public usage of the information, and availability of information for use in public analysis.

Prior reviews of Westerville City School District (Franklin County), Southeast Local School District (Wayne County), and Ridgewood Local School District (Coshocton

County) highlighted financial information available on their web sites. This enhanced information includes:

- Contact information for the Treasurer's office;
- Explanations of and links to the five-year forecast and assumptions;
- Minutes from past Board meetings;
- An overview of the school district income tax;
- The fiscal year tax budget;
- Historical financial reports;
- Property tax, millage, and valuation information;
- Historical costs per pupil;
- A glossary of school financial terms; and
- Electronic versions of forms used by District employees.

Hemet Unified School District (Hemet, California) also maintains an extensive web site. The web site includes detailed information on different departments (including facilities, human resources, purchasing, and transportation) and links to helpful forms and handbooks that pertain to each department. Additionally, the web site includes a list of frequently asked questions and transportation bell schedules.

FFLSD should enhance the information available on the web site to communicate the District's financial situation to its stakeholders. Furthermore, maintaining electronic copies of human resources forms and policies would provide a central location for accessing needed documents. Including additional information about the District on its web site will help FFLSD to enhance its communication with stakeholders, increase community support, and receive stakeholder feedback necessary for effective management.

### *Payroll*

#### **R2.7 FFLSD should implement compulsory direct deposit for all employees. Expanding the use of direct deposit for employees would improve the efficiency of payroll operations in the Treasurer's Office.**

FFLSD offers voluntary direct deposit to all employees. As of March 2009, 68.4 percent of employees participate in direct deposit. Currently 62 employees (including substitutes) receive paper pay checks which are distributed by the principal in the employee's respective building. The District has been unable to successfully negotiate compulsory direct deposit for all employees.

According to the National Automated Clearing House Association (NACHA)/Electronic Payment Association, direct deposits can be very beneficial to both the organization and its employees. The use of direct deposit reduces the potential for errors, simplifies account reconciliation, reduces the chance of fraud, and increases the efficiency of the payroll process. Businesses can save \$1.25 per payment through the elimination of manual check preparation and use of direct deposit. Furthermore, employers and employees can financially benefit from the use of electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The employer benefits because electronic pay stubs eliminate the need to print, mail, and distribute pay stubs or reproduce lost pay stubs. At the same time, the employee benefits because he or she can easily access their pay information from any computer with a browser and internet connection. Also, a more extensive record of the employee's pay history is available, beginning with the first electronic pay stub. Electronic pay stubs also make it easy for employees to provide pay stub information to third parties, such as accountants, mortgage lenders, and other agencies requiring pay verification.

Coventry Local School District (Summit County) successfully negotiated a mandatory direct deposit program for all of its employees, and has consequently seen improvements and cost savings in its payroll operations.

Partial use of direct deposit reduces the efficiency of payroll operations and increases the cost of payroll production through use of supplies. However, if the District is not able to negotiate mandatory direct deposit for all employees, it should consider negotiating to require new employees to enroll in direct deposit.

*Financial Implication:* Fully implementing direct deposit would allow the District to save \$1.25 per payment. Based on the number of employees receiving paper checks in March 2009, FFLSD could potentially save \$78 per pay or approximately \$2,000 per year. An unquantifiable savings in improved productivity would also be realized.

### *Food Service*

- R2.8 FFLSD should take steps to control the cost of food products and other supplies and materials associated with food service operation by developing greater oversight of the purchasing process, obtaining competitive food prices, purchasing less expensive products, and planning less expensive menus. Furthermore, FFLSD should assign responsibilities for purchasing supplies and materials to a single head cook. This head cook should participate in the food service budgeting process and receive monthly budget status reports on the funds available for the purchase of supplies and materials.**

The District does not have a centralized purchasing system for supplies and materials for its food service operation. Rather, the head cook at each building is individually responsible for menu planning and the purchase of supplies and materials, with the Treasurer's Office processing invoices. Moreover, the District does not belong to a cooperative purchasing consortium and each head cook purchases supplies and materials from a different supplier. In FY 2007-08, FFLSD spent \$1.17 per meal equivalent served on supplies and materials, or 17.1 percent more than the peer district average of \$1.00 per meal equivalent (see **Table 2-6**).

According to *School Foodservice Management for the 21<sup>st</sup> Century* (Pannell-Martin, 1999), strategies to reduce food costs include obtaining competitive food prices, purchasing a less expensive product, and planning less expensive menus. The effect of implementing any of the three recommend practices would help the District reduce food costs to bring expenditures more in line with the peer district average. In order to implement these practices, the District must ensure appropriate oversight and management of the food service operation.

Martins Ferry City School District (Belmont County) makes its food service operation purchases through a local purchasing consortium in order to reduce food service expenditures. Moreover, the Food Service Supervisor prepares a list of approved items head cooks can order, a practice that limits the District's expenditures for food products and constitutes a simple method of oversight and management by the Supervisor. Additionally, at Springfield City School District (Clark County), the Supervisor of the food service operation developed a six-week rotation of meals for each school and determined the cost of each individual component on the menu.

To ensure efficiency in food service operation, the District must ensure processes are in place to reduce waste, purchase less expensive products, and obtain competitive food prices. By better managing its procurement of food service supplies, FFLSD could substantially reduce its costs per meal.

*Financial Implication:* By reducing supplies and materials expenses by just 10 percent, FFLSD can reduce the cost per meal equivalent by \$0.12 for an annual savings of approximately \$18,000.



**R2.9 FFLSD should ensure that all food service related expenses are charged to the Food Services Fund, regardless of any future need to transfer funds from the General Fund into the Food Services Fund. By correctly allocating all food service expenses, a more accurate financial picture will be available which will improve decision-making related to revenue and program adjustments.**

**Table 2-5** shows that the District reported minimal expenditures for purchased services in its Food Services Fund and the Treasurer confirmed the District does not charge utility expenditures back to the food service operation.

According to *Measuring the Cost of Government Services* (GFOA, 2002), governments should measure the full costs of its services. For the food service operation ORC § 3313.81 emphasize the need for this practice by stating:

“All receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes shall be paid directly into and disbursed from the Food Services Fund which shall be kept in a legally designated depository of the board. Revenues for the operation, maintenance, improvement, and purchase of equipment shall be provided by the Food Services Fund, appropriations transferred from the general fund, federal funds, and from other proper sources.”

One method for calculating utilities expenses is to take the total space occupied by the food service operation (to include the kitchen, office, storage, and cafeteria) and to calculate the percentage this total occupies based on the total square feet of the school building. The allocation of expenses for gas, electric, and water/sewer using this percentage of space is appropriate.

By not including all of the costs associated with the Food Services Fund, the District has an inaccurate depiction of the financial condition of its food service operation. Capturing all costs in the Food Services Fund will help FFLSD evaluate the efficiency and performance of its food service operation and make better-informed decisions.

The District could reduce costs to the General Fund by determining what percentage of FFLSD’s facilities is operated by food services. However, applying these percentages to utility expenditures for FY 2007-08 would have resulted in additional food service costs leading to a greater Food Service Fund deficit. This figure includes a portion of the costs directly relating to food service operations, such as purchased services for electricity, gas, and water/sewage on a per square foot basis.

**R2.10 FFLSD should implement the performance audit recommendations contained in this and other report sections to help offset cost increases and assist in maintaining a positive year-end fund balance through FY 2012-13. Enhancing general operating revenue and/or identifying additional savings beyond those included in this performance audit would allow FFLSD to improve its overall financial condition in the future and assist in addressing the changing circumstances in its operating environment.**

**Table 2-9** illustrates the effect of the performance audit recommendations and AOS adjustments (see **R2.4**) to the District's January 2009 five-year financial forecast and ending fund balances, assuming that all recommendations contained in this audit are implemented. Full implementation of the performance audit recommendations is projected to result in a positive fund balance in FY 2012-13.

**Table 2-9: Revised Five-Year Forecast (in 000s)**

	Actual				Forecasted			
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
<b>Revenues:</b>								
General Property Tax	\$2,981	\$3,436	\$3,816	\$3,822	\$3,842	\$3,868	\$3,880	\$3,880
Tangible Property Tax	\$119	\$88	\$79	\$69	\$59	\$49	\$39	\$29
Unrestricted Grants-in-Aid	\$4,606	\$4,543	\$4,523	\$4,523	\$4,613	\$4,623	\$4,633	\$4,643
Restricted Grants-in-Aid	\$50	\$56	\$12	\$14	\$14	\$14	\$14	\$14
Property Tax Allocation	\$175	\$312	\$307	\$307	\$313	\$319	\$325	\$332
All Other Revenues	\$689	\$765	\$874	\$874	\$874	\$874	\$874	\$874
<b>Total Revenue</b>	<b>\$8,620</b>	<b>\$9,200</b>	<b>\$9,611</b>	<b>\$9,609</b>	<b>\$9,715</b>	<b>\$9,747</b>	<b>\$9,766</b>	<b>\$9,772</b>
Operating Transfers-In	\$0	\$0	\$12	\$0	\$0	\$0	\$0	\$0
Advances-In	\$26	\$1	\$216	\$15	\$15	\$15	\$15	\$15
All Other Financial Sources	\$8	\$9	\$51	\$20	\$20	\$20	\$20	\$20
Total Other Financing Sources	\$34	\$10	\$279	\$35	\$35	\$35	\$35	\$35
<b>Total Revenues and Other Financing Sources</b>	<b>\$8,654</b>	<b>\$9,210</b>	<b>\$9,889</b>	<b>\$9,644</b>	<b>\$9,750</b>	<b>\$9,782</b>	<b>\$9,801</b>	<b>\$9,807</b>
<b>Expenditures:</b>								
<i>Personal Services – Revised</i>	\$4,938	\$4,830	\$4,869	\$4,904	\$5,021	\$5,140	\$5,283	\$5,430
<i>Employees' Retirement/ Insurance Benefits – Revised</i>	\$2,255	\$2,533	\$2,882	\$2,677	\$2,527	\$2,555	\$2,587	\$2,620
Purchased Services	\$1,277	\$1,224	\$1,417	\$1,416	\$1,420	\$1,423	\$1,427	\$1,430
Supplies and Materials	\$482	\$394	\$448	\$398	\$398	\$398	\$398	\$398
Capital Outlay	\$137	\$11	\$75	\$21	\$21	\$21	\$21	\$21
Other Objects	\$220	\$204	\$214	\$214	\$214	\$214	\$214	\$214
<b>Total Expenditures</b>	<b>\$9,309</b>	<b>\$9,197</b>	<b>\$9,906</b>	<b>\$9,631</b>	<b>\$9,600</b>	<b>\$9,752</b>	<b>\$9,931</b>	<b>\$10,114</b>
Operational Transfers - Out	\$17	\$13	\$27	\$12	\$12	\$12	\$12	\$12
Advances - Out	\$1	\$225	\$50	\$15	\$15	\$15	\$15	\$15
All Other Financing Uses	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$18	\$238	\$77	\$27	\$27	\$27	\$27	\$27
<b>Total Expenditure and Other Financing Uses</b>	<b>\$9,327</b>	<b>\$9,434</b>	<b>\$9,982</b>	<b>\$9,658</b>	<b>\$9,627</b>	<b>\$9,779</b>	<b>\$9,958</b>	<b>\$10,141</b>
<i>Performance Audit Recommendations</i>	N/A	N/A	N/A	N/A	\$0	\$492	\$516	\$531
<b>Result of Operations (Net)</b>	<b>(\$673)</b>	<b>(\$224)</b>	<b>(\$93)</b>	<b>(\$14)</b>	<b>\$123</b>	<b>\$495</b>	<b>\$359</b>	<b>\$197</b>
Beginning Cash Balance	\$1,360	\$687	\$462	\$369	\$355	\$478	\$973	\$1,333
Ending Cash Balance	\$687	\$462	\$369	\$355	\$478	\$973	\$1,333	\$1,530
Outstanding Encumbrances	\$21	\$44	\$11	\$30	\$30	\$30	\$30	\$30
<b>Unreserved/Ending Fund Balance</b>	<b>\$666</b>	<b>\$418</b>	<b>\$358</b>	<b>\$325</b>	<b>\$448</b>	<b>\$943</b>	<b>\$1,303</b>	<b>\$1,500</b>

Source: FFLSD January 2009 forecast to ODE, AOS recommendations

Note: Totals may vary due to rounding. Additionally, AOS recommendations are increased each year based on the Treasurer's assumptions, AOS revised assumptions, or inflation.

Table 2-9 shows that when including the performance audit recommendations, the District is projected to experience a positive ending fund balance throughout the forecast period. The forecast projections in Table 2-9 will depend, in part, on the District's ability to achieve the estimated cost savings. Therefore, monitoring the projections and updating the forecast as necessary will ensure the District bases future decisions on the most current

information. Furthermore, as the Food Services Fund becomes more efficient, it will rely less on the General Fund for subsidies. Because the General Fund has consistently subsidized the Food Services Fund in the last three years, the food service cost savings are not included in the revised AOS forecast (**Table 2-9**).

**Table 2-10** summarizes the performance audit recommendations that contain financial implications impacting the General Fund. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

**Table 2-10: Summary of Financial Implications for the General Fund**

	One-Time Cost	Annual Cost	One-time Revenue	Estimated Annual Cost Savings
<b>Recommendations NOT Subject to Negotiations</b>				
<b>R3.2</b> Eliminate 2.0 FTE regular education teachers				\$89,800
<b>R3.3</b> Eliminate 1.5 FTE library aides				\$58,700
<b>R3.4</b> Eliminate 2.0 FTE office/clerical				\$43,700
<b>R4.2</b> Close one building and eliminate 1.5 FTE custodians				\$86,500
<b>R4.5</b> Implement an energy conservation program				\$9,100
<b>R5.1</b> Implement routing software	\$10,000	\$2,000		
<b>R5.7</b> Sell two spare buses			\$3,000	
<b>Subtotal Not Subject to Negotiations</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>\$3,000</b>	<b>\$287,300</b>
<b>Recommendations Subject to Negotiations</b>				
<b>R2.7</b> Fully implement direct deposit				\$2,000
<b>R3.5</b> Enroll in the BWC Drug-Free Workplace Program				\$19,000
<b>R3.6</b> Increase health care and dental premium contributions to 15 percent				\$197,000
<b>Subtotal Subject to Negotiations</b>				<b>\$218,000</b>
<b>Total Recommendations</b>				<b>\$505,300</b>

Source: AOS Performance Audit Recommendations

**Table 2-11** shows the financial implications to performance audit recommendations that impact the Food Services Fund.

**Table 2-11: Summary of Financial Implications for the Food Services Fund**

	One-Time Cost	Annual Cost	One-time Revenue	Estimated Annual Cost Savings
<b>Recommendation NOT Subject to Negotiations</b>				
<b>R2.8</b> Reduce supplies and materials by 10 percent				<b>\$18,000</b>

Source: AOS Performance Audit Recommendation

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# Human Resources

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## Background

This section of the performance audit focuses on the human resources (HR) functions of the Fort Frye Local School District (FFLSD or the District). Operations were evaluated against leading practices, industry standards, and selected peer districts.<sup>1</sup> Comparisons were made in order to develop recommendations to improve efficiencies and business practices. Recommendations also identify potential cost savings to assist the District in its efforts to address projected deficits. Recommended practices and industry standards were drawn from the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the Ohio Education Association (OEA), the Kaiser Family Foundation (Kaiser), the State Employment Relations Board (SERB), and the Ohio Department of Administrative Services (DAS), as well as other sources.

### *Organization*

FFLSD does not have a separate department dedicated to human resource functions. The primary human resources responsibilities are carried out by the Treasurer's Office and the Superintendent. The Treasurer's Office administers the District's employee benefit programs; helps negotiate and administer the collective bargaining agreements; manages the workers' compensation program; conducts payroll functions; and monitors the budget. The Superintendent oversees the activities that are used to recruit, select, and evaluate employees, and also helps negotiate and administer the collective bargaining agreements.

In addition to regular education services, FFLSD provides students access to career-technical education, special education and gifted services. The Washington County Career Center provides career-technical programs to District students. FFLSD's special education program assists special needs students using an Individualized Education Program (IEP). In FY 2008-09, FFLSD implemented District-wide inclusion for special needs students. This recommended practice places special needs students into regular classrooms, rather than pullout resource rooms, and has been identified as a strategy to assist school districts in containing special education expenditures. FFLSD also purchases services by contracting with the Washington County Education Service Center (ESC) for psychological, speech, visually impaired, and other specialized services. The District effectively minimized its special education costs, spending 5.5 percent less per special education student than the peer district average in FY 2007-08. Gifted services are also contracted through the Washington County ESC, which provides a gifted teacher and part time coordinator.

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<sup>1</sup> See **executive summary** for the full listing of the peer districts.

The District uses the Education Management Information System (EMIS) software to report student enrollment and staffing levels to ODE. Student enrollment is used in this audit to calculate the number of full-time equivalent (FTE) employees per 1,000 students.

### Staffing

**Table 3-1** shows the number of FTE employees per 1,000 students for FFLSD compared with the peer districts' average. Presenting staffing data in this manner reduces variances attributable to the size of the peers.

**Table 3-1: FY 2008-09 Staffing Comparison (FTEs per 1,000 Students)**

	FFLSD	Peer Average	Variance
<b>Students Educated</b>	<b>1,003</b>	<b>1,654</b>	<b>(650.4)</b>
<b>Administrative Personnel<sup>1</sup></b>	<b>8.3</b>	<b>7.0</b>	<b>1.3</b>
• Site-Based Administrators	4.0	3.3	0.7
• Central Office Administrators	4.3	3.7	0.6
<b>Office/Clerical</b>	<b>10.7</b>	<b>7.4</b>	<b>3.3</b>
<b>Classroom Teachers<sup>2</sup></b>	<b>56.0</b>	<b>51.1</b>	<b>4.9</b>
• Regular Classroom Teachers	52.0	48.2	3.8
• Vocational Teachers	4.0	2.9	1.1
<b>Special Education Teachers</b>	<b>12.6</b>	<b>9.7</b>	<b>2.9</b>
<b>Education Service Personnel<sup>3</sup></b>	<b>7.0</b>	<b>7.4</b>	<b>(0.4)</b>
<b>Other Certificated Staff<sup>4</sup></b>	<b>4.0</b>	<b>4.8</b>	<b>(0.8)</b>
<b>Teacher Aides</b>	<b>9.3</b>	<b>7.7</b>	<b>1.6</b>
<b>Other Technical/Professional Staff<sup>5</sup></b>	<b>4.0</b>	<b>1.2</b>	<b>2.8</b>
<b>Other Student Services<sup>6</sup></b>	<b>0.0</b>	<b>2.4</b>	<b>(2.4)</b>
<b>Operations<sup>7</sup></b>	<b>37.3</b>	<b>28.3</b>	<b>9.0</b>
<b>Total Staffing</b>	<b>149.1</b>	<b>126.9</b>	<b>22.2</b>

Source: ODE EMIS FY 2008-09 Staffing Reports for FFLSD and Peer Districts

<sup>1</sup> Includes central and site-based administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District.

<sup>2</sup> Includes regular and vocational teachers as well as permanent substitutes.

<sup>3</sup> Includes educational service personnel (ESP) such as ESP teachers, counselors, librarians, registered nurses, social workers, and visiting teachers.

<sup>4</sup> Includes curriculum specialists, remedial specialists, tutor/small group instructors, and other professionals.

<sup>5</sup> Includes library staff, computer support staff, and other professional staff, not including librarians.

<sup>6</sup> Includes student services staff less counselors, registered nurses, social work staff, and visiting teachers.

<sup>7</sup> Includes facilities, transportation, food service, and other miscellaneous staff.

As illustrated in **Table 3-1**, FFLSD's total staffing levels are 22.2 FTEs per 1,000 students or 17.5 percent higher than the peers. FFLSD is above the peer average in each category with the exception of *Educational Service Personnel (ESP)*, *other certificated staff* and *other student services staff*. Additional explanations for the variances are as follows:



- **Administrators:** FFLSD has 4.0 FTE *site-based administrators* and 4.3 FTE *central administrators*. In comparison to the peer average, FFLSD has a total of 1.3 FTE administrators more than the peers. However, each *central administrator* within FFLSD has responsibility for 35 District staff, similar to the peers. Furthermore, an analysis of *site-based administrators* (principals and assistant principals) per school building showed that FFLSD has similar number of *site-based administrators* per building (1.0 FTE per building) compared with the peers. Therefore, no further analysis was conducted on administrative staffing. If, in the future, FFLSD encounters financial difficulties or chooses to reconfigure its buildings (see **facilities**), it might wish to reexamine this category for staffing adjustments.
- **Office/Clerical:** FFLSD has 3.3 FTEs more *office/clerical* staff compared with the peer average (see **R3.4** for further analysis).
- **Regular Education Teachers:** FFLSD has 52.0 FTE *regular education teachers* and its student to teacher ratio (16.9:1) is lower than the peer average (17.5:1). The State minimum standard is 1.0 FTE regular classroom teacher for every 25 regular students, as defined in ORC § 3317.023 (see **R3.2** for further assessment).
- **Special Education Teachers:** FFLSD has almost 3.0 FTE more *special education teachers* when compared to the peers. However, FFLSD's total special education expenditures remain 5.2 percent below the peer average. Furthermore, FFLSD's cost per special needs student (\$1,066) is similar to the peers' cost per special education student (\$1,059) for FY 2007-08. Special education staffing is impacted by Individualized Education Programs (IEP) and the nature of the disabilities of the students being educated. No further assessment was conducted in this area.
- **Teacher Support Staffing:** In total, FFLSD has 1.6 more *teacher support* FTEs per 1,000 students compared with peers, which include *teaching aides* and *instructional paraprofessionals*. However, 50 percent of all *teacher support* staff is funded through federal grants. No additional assessments were conducted in this area; however, if the District encounters future financial difficulties, this may be an area for additional examination.
- **Other Technical/Professional Staff:** FFLSD (5.0 FTEs per 1,000) has 3.8 FTEs more library aides and audio staff per 1,000 students compared with the peers 1.2 FTEs per 1,000). This does not take into consideration librarians, which are counted under ESP personnel. It should be noted that FFLSD and the peers operate with 1.0 FTE librarian (see **R3.3** for further analysis).

- **Operations:** Staffing levels in this area are compared separately in **facilities, transportation, and food service**, using efficiency and workload measures as well as industry standards.

### *Compensation and Benefits*

**Table 3-2** provides a comparison of the District's average salaries. Beginning wages, years of service, negotiated wage increases, step increases, other personnel benefits, and in some cases, educational levels attained by the personnel within a category, all influence average salaries.

**Table 3-2: Average Salary Comparison Summary**

	FFLSD	Peer Average	Percent Variance
Administrators	\$58,011	\$69,331	(16.3%)
Office/Clerical	\$22,770	\$27,743	(17.9%)
Classroom Teachers	\$44,736	\$50,140	(10.8%)
Special Education Teachers	\$42,813	\$48,824	(12.3%)
Education Service Personnel	\$49,796	\$49,930	(0.3%)
Other Certificated Staff	\$42,101	\$49,618	(15.1%)
Teacher Aides	\$9,671	\$15,858	(39.0%)
Other Technical/Professional Staff	\$13,639	\$17,622	(22.6%)
Operations	\$16,750	\$20,488	(18.2%)

Source: FFLSD and peer districts' Education Management Information System (EMIS) data as submitted to ODE for FY 2008-09.

As illustrated in **Table 3-2**, FFLSD's average salaries are below the peer district average in every category. However, this comparison does not include additional compensation that some employees are receiving through a reduced payroll deduction in retirement contribution payments, which is described below.

School districts in Ohio are required to administer payments into two retirement plans: the State Teachers Retirement System (STRS) for teachers and other certificated staff, and the School Employees Retirement System (SERS) for positions such as secretaries, custodians, business managers, teacher aides, bus drivers and food service personnel. STRS and SERS mandate the percentages of contribution to be made by an employer and employee. Employers are required to contribute 14 percent toward each employee's retirement fund based on the employee's annual salary. Employees must contribute 10 percent of their gross earnings.

The FFLSD Board pays 2 percent of the employees' portion of retirement contribution for 79 of its teachers. The Board also pays the entire 10 percent employee share for 6 administrators (Superintendent, Treasurer, principals, Assistant Principal, and the Technology Coordinator). Including retirement pickup in the employees' average salary results in an increase of 2 to 10 percent, placing the average salaries of *educational service personnel* above the peers.

The pickup of retirement contributions is expensive and the District is aware of the compounding effect of the provision. As a result, it factors in this benefit in when negotiating wage increases. For FY 2009-10, the District's liability for this provision is projected to be more than \$115,000.

As part of its compensation package, the District also provides a comprehensive health insurance benefit package including medical, dental and life insurance to eligible employees. The District's medical coverage is self-insured (since 2006) and uses Med-Ben as its third party administrator. As a self-insured entity, FFLSD does not pay premiums to a health insurance provider. Rather, the District pays monthly "premiums" into a separate fund established for health insurance claims. These funds are used to pay actual claims made by employees. A review of the self-insured medical fund indicates the District has been able to maintain a positive fund balance. However, FFLSD offers a generous plan to its employees, which is costly to the District. In FY 2008-09 the District changed its medical provider, which will save it \$400,000 annually starting in FY 2009-10 (see **R3.6** for further analysis).

As a recommended practice and to ensure employees are aware of the effects of not having to pay for a percentage of their portion of retirement pickup, auditors advised the District to consider distributing statements that explain total compensation. Total compensation should include not only the additional wages resulting from the Board's pick up on retirement, but the employees' benefits package as well.

### *Negotiated Agreements*

The District has two collective bargaining agreements; one for certificated and one for classified personnel, which are briefly described below.

- **Fort Frye Teachers Association (FFTA) Agreement:** Membership in this collective bargaining unit includes all teachers and other professional certificated personnel. The collective bargaining agreement is in effect from July 1, 2007 until June 30, 2011.
- **Ohio Association of Public School Employees (OAPSE) Agreement:** Membership in this collective bargaining unit includes all non-certificated school support personnel including maintenance and custodial staff, clerical staff, food service employees, educational aides, technology personnel, and transportation employees. The collective bargaining agreement is in effect from July 1, 2006 through June 30, 2009. The District and bargaining unit have approved a one-year contract extension to June 30, 2010.

In addition to negotiated compensation and benefit provisions, other contractual and employment issues, such as leave provisions and length of school year, work day, and teacher time were assessed and compared with provisions of the ORC and OAC, as well as standard practices. Within the areas examined, provisions related sick leave accrual, paid holidays and employee evaluations exceeded state minimum requirements or did not meet recommended practices (see **R3.7**).

## **Audit Objectives for the Human Resources Section**

The following performance objectives were reviewed in this section:

- Is the District's allocation of personnel efficient and effective?
- Is the District's compensation package in-line with other high performing districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in-line with industry standards, State statute, and best practices?
- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?
- Does the Board operate in an effective manner?
- Does the District provide special education program for students with disabilities that maximize resources and are compliant with State and federal regulations?

FFLSD met peer, recommended, or required practices in ESP staffing, salaries, and special needs program provision.

## Recommendations

### *Staffing*

- R3.1 FFLSD should develop a formal staffing plan to address current and future personnel needs. A staffing plan will help ensure the District is proactively addressing its staffing needs and aligning them with educational goals and financial conditions. This is particularly important considering the District's declining enrollment and large special needs population.**

The District does not have a formalized, Board-approved staffing plan outlining a strategy for staffing or personnel decisions. Student enrollment is a factor in determining appropriate staffing levels, although the District does not assess long-term enrollment projections when making personnel changes. See **facilities** for a further assessment of enrollment projections as they relate to building capacity.

*Strategic Staffing Plans* (SHRM, June 2002) notes that high performing organizations use staffing plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. In addition, *Estimating Future Staffing Levels* (SHRM, 2006) notes that the most important question for any organization is the type of workforce it will need in order to successfully implement its strategic mission. Once this question is answered, the organization can focus on recruiting, developing, motivating, and retaining the number and mix of employees that will be required at each point in time.

Tulsa (OK) Public Schools has established an industry-recognized approach for developing a staffing plan. The Tulsa Public Schools staffing plan incorporates staff allocation factors such as state and federal regulations, workload measures, industry benchmarks, and staffing levels, as determined by its administration, for building configurations and enrollment. In this plan, Tulsa Public Schools benchmarks staffing based on general fund revenues to help maintain a focus on a balanced budget when considering school staffing levels. The plan is used as a guide to determine staffing levels on an annual basis, as well as mid-year, to determine if the staffing levels need to be modified based on actual enrollment.

Similar to Tulsa Public Schools, Cincinnati CSD (Hamilton County) has developed a formal staffing plan that works to incorporate State requirements, contractual agreements, available resources, and educational goals into a process that includes central and site-based administrators and personnel. The staffing plan, linked to the District's student-based budgeting, employs a staffing template and serves as a planning tool. Additionally,

Lakota LSD (Butler County) developed a formal staffing plan that determines the number of classified employees needed based on enrollment and workload measures.

A formal plan would assist the District in adjusting staffing levels to address declining student enrollment and anticipated changes in resources, while aligning any staff reductions with the District's goals and values. Moreover, implementing a more formal plan would provide the District with a resource to communicate its staffing priorities and goals with the community and ensure continuity and the transmission of institutional knowledge in the event of turnover among top administrators.

**R3.2 FFLSD should consider eliminating at least 2.0 regular classroom teaching positions to achieve a student to teacher ratio similar to the peers. The District should review the funding sources for these positions to ensure their elimination would have a positive impact on the General Fund. These reductions may be able to be accomplished through attrition.**

**The District should weigh decisions to reduce the regular teacher staffing level against the impact the reduction may have on educational outcomes. FFLSD should consider its goals, enrollment, and financial condition, as well as its certificated collective bargaining agreement and State requirements for minimum class sizes, when identifying potential teacher reductions. FFLSD should ensure that any staffing reductions comply with the new operating standards under development by ODE (see also *subsequent events within the executive summary*).**

Table 3-3 shows a comparison of regular education students per regular teacher FTE with the peer average and State minimums.

**Table 3-3: Regular Education Teacher Staffing Comparison**

	FFLSD	Peer Average	Difference
Regular Education Teachers	52.2	77.7	(25.5)
Regular Student Population	880.9	1361.7	(480.8)
Regular Education Students to Teacher Ratio	16.9	17.5	(0.6)
<b>Total Regular Teacher Adjustment Needed to Equal Peer Average</b>			<b>1.9</b>
<b>Comparison to State Minimum Requirements</b>			<b>FTE Teachers</b>
State Minimum Required Classroom Teachers (1:25)			35.2
Teachers Above/Below State Minimum Requirement			17.0

Source: FFLSD FY 2008-09 EMIS data as reported to ODE

As illustrated in **Table 3-3**, FFLSD has fewer students per teacher compared to the peers, although the difference is marginal. State standards require at least 1.0 FTE classroom teacher for every 25 students in the regular student population. The District employs 17.0 FTE regular classroom teachers above the State minimum. If the District were to mirror the peer average student to teacher ratio, it would lead to a reduction of 2.0 regular

education teachers. However, based on the projected forecast (see **financial systems**), the District could close its financial deficit by making other staffing reductions unassociated with direct instruction (see **R3.3** and **R3.4**).

*Financial Implication:* By eliminating 2.0 FTE regular education teachers, FFLSD could save approximately \$89,800 in salaries and benefits starting in FY 2009-10. This estimated savings will increase if the reductions occur through retirement or through voluntary separation of more experienced or higher salaried staff.

**R3.3 The District should eliminate 1.5 FTE library aide positions to bring staffing levels in line with the peer average. A reduction in the number of library aides would reduce costs and help avoid future deficits.**

**FFLSD should ensure that any staffing reductions comply with the new operating standards under development by ODE (see also *subsequent events* within the executive summary).**

The library aide staffing levels for FFLSD and the peer districts are compared in **Table 3-4**.

**Table 3-4: Library Staffing Comparison**

	<b>FFLSD</b>	<b>Peer Average</b>	<b>Difference</b>
Librarians (FTE)	1.0	1.1	(0.1)
Library Aides & Audio Staff (FTE)	1.8 <sup>1</sup>	1.1	0.7
<b>Total FTE Library Staff</b>	<b>2.8</b>	<b>2.2</b>	<b>0.6</b>
<hr/>			
Students Educated	1,003.4	1,653.8	(650.4)
Librarians per 1,000 Students	1.0	0.7	0.3
Library Aides & Audio Staff per 1,000 Students	1.8	0.5	1.3
<b>Library Staff per 1,000 Students</b>	<b>2.8</b>	<b>1.2</b>	<b>1.6</b>
<b>Total FTE Library Staff Adjustment Needed to Equal Peer Average</b>			<b>1.6</b>

**Source:** FFLSD and peer district's EMIS data as reported to ODE for FY 2008-09

**Note:** Librarians are included in ESP staffing analysis in **Table 3-1**, which illustrates that ESP staffing is below the peer district average on a per 1,000 student basis.

<sup>1</sup> Includes two library aides who work 4 hrs per day and one aide who works 6 hrs per day.

As illustrated in **Table 3-4**, FFLSD has 1.6 FTE library staff more than the peer district average on a per 1,000 student basis. Specifically, the District employs more library aides than the peers, as librarian staffing levels are only slightly above the peer district average. In order to bring staffing levels per 1,000 students in line with the peer district average, FFLSD would need to eliminate approximately 1.5 FTE library aid positions or a reduction of 13 hours of library aid work per day. However, reducing 1.5 FTE library aides would reduce FFLSD's ability to provide continuous library services to its students because of its configuration (see **facilities**).



*Financial Implication:* By eliminating 1.5 FTE library aides, the District could save approximately \$58,700 in salaries and benefits starting in FY 2009-10.

**R3.4 The District should eliminate 2.0 FTE office/clerical positions to bring staffing levels in line with the peer average. A reduction in the number of office/clerical positions would reduce costs and help avoid future deficits. Additionally, if the District should decide to close a school building, it may be able to eliminate the clerical positions assigned to that building.**

FFLSD should ensure that any staffing reductions comply with the new operating standards under development by ODE (see also *subsequent events* within the executive summary).

Table 3-5 shows a comparison of FFLSD office/clerical staffing with the peer average.

**Table 3-5: Office/Clerical Staffing Comparison**

	Fort Frye LSD	Peer Average	Difference
Office/Clerical Staff	10.8	12.4	(1.6)
Students Educated	1,003.4	1,653.8	(650.4)
Office/Clerical Staff per 1,000 Students	10.7	7.4	3.3
<b>Adjustments Needed to Equal Peer Average on a per 1,000 Student Basis</b>			<b>3.3</b>
<hr/>			
Office/Clerical Staff per School Building	2.7	2.1	0.6
<b>Adjustments Needed to Equal Peer Average on an Office/Clerical Staff per Building Basis</b>			<b>2.4</b>
<hr/>			
Employees per Office/Clerical Staff	12.9	16.0	(3.1)
<b>Adjustments Needed to Equal Peer Average on an Office/Clerical per Employee Basis</b>			<b>2.1</b>

Source: FFLSD and peer district EMIS reports for FY 2008-09 as reported to ODE

As illustrated in **Table 3-5**, FFLSD employs more office/clerical FTEs on a per 1,000 student and per building basis. Furthermore, the office/clerical staff at FFLSD supports 19 percent fewer employees when compared to the peers. To bring FFLSD's office/clerical staff in line with the peers on a per-building and employees-per-staff basis, FFLSD would need to eliminate at least 2.0 FTEs.

Employing more clerical staff than needed diverts resources from the educational program which directly serves students. A reduction of 2.0 clerical positions would bring FFLSD in line with the peer district average and reduce salary and benefit costs. If FFLSD reduces its clerical staff, it should conduct a job audit to ensure that responsibilities are redistributed to remaining staff.

*Financial Implication:* By eliminating 2.0 FTE office/clerical positions, the District would save approximately \$43,770 annually in salaries and benefits.

*Benefits***R3.5 The District should implement the Bureau of Workers' Compensation's (BWC) leading practices for workplace safety to reduce workers' compensation claims and the associated costs. The District should also formally adopt and implement continuous on-the-job training to enhance workplace safety. Mandatory job safety training increases awareness and keeps employees updated on new practices.**

FFLSD participated in the Premium Discount Program for three years through 2008 as a way to keep workers compensation costs down. However, BWC no longer offers this program as of June 2009. The BWC does provide other programs to help minimize workers compensation costs such as the Drug-Free Workplace Program (DFWP), and the Safety Council Program, which FFLSD does not participate.

BWC classifies the risk associated with public employers using an employer modification rate (EMR). The EMR is based on the type of employer and claims history and determines the discount on the base rate or the penalty amount over the base rate the employer will pay in premiums. The calendar year 2008 base rate for school districts was \$1.07 for every \$100 of payroll and the FFLSD's EMR was \$1.28 for 2008 and 2009. Therefore, FFLSD's BWC premium rate is 28 percent more than the base rate. FFLSD's 2008 workers' compensation premium was approximately \$92,000.

BWC encourages employers to prevent claims by offering assistance and funding to initiate workplace safety programs. BWC programs reduce premiums by lowering the EMR used in payment formulas. These programs include the Drug-Free Workplace Program (DFWP), and the \$15,000 Medical Only Program (15K Program). The BWC's 10-Step Business Plan is the primary component of the PDP and DFWP. BWC provides a discount on the EMR as an incentive for entities to implement PDP and DFWP programs as these are helpful in reducing the number and cost of workers' compensation claims.

The Safety Council Program, offered through BWC, provides local communities with quality programs addressing occupational safety and health, workers' compensation, and risk management education and information. The councils inform participants about new techniques, products and services, and provide a resource for information about these services. Employers can receive up to a 4 percent rebate on annual premiums paid by completing the safety council requirements. The safety council rewards employers with a 2 percent rebate for meeting all of the participation requirements and a 2 percent performance bonus for reducing either the frequency or severity of claims by 10 percent, or with maintenance of both frequency and severity at zero.

Due to the size of the District, a small number of claims could disproportionately penalize the District and thus increase its workers' compensation premium. FFLSD has

incurred workers' compensation costs over and above those of other employers with comparable risk profiles. Participating in BWC programs will help the District reduce its premium costs through discounts. If the programs result in a reduction in work related injuries, this will reduce the District's experience modifier in future premium calculations.

*Financial Implication:* If the District received a 10 percent discount by enrolling in a BWC Drug-Free Workplace and Safety Council Program, it could save approximately \$19,000 annually, based on the calendar year 2008 payroll and the 2009 employer modification rate.

**R3.6 FFLSD should negotiate to remove language from its classified contract that sets specific dollar amount limitations on employee contributions to medical insurance premiums. Furthermore, the District should seek to require all bargaining unit staff to contribute at least 15 percent toward the cost of healthcare and dental insurance premiums. Contributions at the recommended level would be consistent with the State Employment Relations Board (SERB) reported contribution levels and below Kaiser industry averages.**

**In addition, if the District is unable to negotiate an increase in employee health care premium contributions for all employees, it should then review its benefit plan (e.g., co-payments) within and outside its network to ensure that the plan design and resulting premium costs remain cost-effective for the District.**

Although the District took steps in FY 2008-09 to reduce its health care costs by \$400,000 annually by switching medical insurance providers, it continues to offer a generous but costly medical benefit plan. In addition, it has negotiated medical premium contributions from its employees that are less than the industry average. Furthermore, the District does not require employees to contribute towards the cost of dental insurance premiums.

The District offers medical and dental insurance to its employees through a self-insured plan. The District does not offer vision insurance coverage. FFLSD has separate plans for certificated and classified employees. According to the bargaining unit agreements certificated employees are required to contribute 10 percent in FY 2008-09 and 11 percent in FY 2009-10 toward the monthly medical premium and the classified staff has a maximum contribution amount of 9 percent. The maximum contribution amount is detailed in the negotiated agreement as \$140 a month for family coverage or \$60 a month for single coverage, making the actual classified contribution percentages 8 percent for family coverage and 7 percent for single coverage. Insurance premiums are pro-rated for classified employees working less than full-time. **Table 3-6** shows a comparison of FFLSD's monthly medical premiums to industry standards.

**Table 3-6: Monthly Premium Rates (FY 2008-09)**

	Single	% of Employee Contribution	Family	% of Employee Contribution
<b>Medical</b>				
<b>FFLSD- Certificated</b>	<b>\$800</b>	<b>10.0%</b> <sup>1</sup>	<b>\$1,600</b>	<b>10.0%</b>
<b>FFLSD- Classified</b>	<b>\$850</b>	<b>7.0%</b>	<b>\$1,700</b>	<b>8.0%</b>
Kaiser (State and Local Government-HMO)	\$419	16.0%	\$1,088	27.0%
OEA	\$410	9.0%	\$1,043	10.0%
SERB-HMO Average <sup>2</sup>	\$421	N/A	\$1,090	N/A
SERB-School Districts 1,000-2,499 ADM Average	\$442	9.9%	\$1,093	12.6%
SERB- Southeast Ohio region	\$482	9.3%	\$1,223	12.6%
<b>Dental</b>				
<b>FFLSD- All employees</b>	<b>\$23.13</b>	<b>0.0%</b>	<b>\$62.47</b>	<b>0.0%</b>
SERB –School Districts 1,000-2,499 ADM Average	\$43.21	10.3%	\$89.45	31.0%
SERB- Southeast Ohio region	\$35.53	7.8%	\$61.56	14.0%

**Source:** FFLSD monthly premiums, Kaiser 2008 *Annual Survey on Health and Insurance Benefits*, and SERB 2007 16<sup>th</sup> *Annual Report on the Cost of Health Insurance in Ohio's Public Sector*, and OEA 2008 *Survey of School District and ESC Health and Life Insurance Plans*.

N/A= not available

<sup>1</sup> For FY 2009-10 certificated employees are required to contribute 11 percent to insurance premiums per bargaining unit contract.

<sup>2</sup> AOS often includes a comparison of client health insurance premiums to averages compiled by SERB in the annual *Report on the Cost of Health Insurance in Ohio's Public Sector*, as it contains detailed information about health insurance costs in Ohio's public sector. However, the most recent report available is the 2007 Annual Report, and, as such, the information is out of date. Auditors also use the Kaiser Family Foundation's annual survey for a comparison of premium rates and, because of the outdated nature of the SERB data, only the Kaiser information was used in the analysis.

As illustrated in **Table 3-6**, FFLSD monthly medical premiums substantially exceed Kaiser, OEA and SERB averages. In some cases, the costs of premiums are about one and one-half the cost of national and State averages. Typically, the costs for premiums are strongly influenced by experience ratings and the design of the plan.

The District's plan design was examined and compared to data in the *Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2007), the *Annual Survey on Health Insurance Benefits* (Kaiser, 2008), and the *Survey of School District and ESC Health and Life Insurance Plans* (OEA, 2008). Most District plan provisions are in line with or more stringent than industry standards, such as annual out-of-pocket maximums. However the District's co-payments for physician visits and prescription drugs were below industry averages. Greater levels of cost sharing through co-payments can lead to more prudent and less frequent use of services.

*Health Care Cost Containment* (GFOA, 2004) recommends that governments work to contain health care costs. As a preliminary step in establishing cost containment programs, governments should perform cost analyses that use historical trend data on costs and utilization to highlight areas for remedial action. GFOA recommends the following cost containment practices:

- **Plan Design:** Incremental changes include adjusting co-payment and co-insurance levels to influence individual behavior, establishing criteria for eligibility, and evaluating managed care organizations such as PPOs or consumer driven health plans.
- **Vendor Management:** Management of vendors encompasses activities designed to operate a plan more effectively, by making optimal use of health care vendors. This includes audits of claims, positive re-enrollment, and periodic re-bidding of vendors.
- **Individual Health Management:** Targeted efforts to encourage lifestyle changes such as wellness programs, financial incentives for lifestyle modification, education on health care matters, and making provider costs more visible to participants – may be effective financially.
- **Aggregation:** Evaluate whether or not to aggregate the government’s purchasing power through the formulation of health care insurance pools or participation in state master agreements.
- **Cost Sharing:** Implement cost sharing through joint payment of premiums, co-payments, and co-insurance.

Seeking a 15 percent employee contribution for medical and dental would bring FFLSD in line with SERB averages while remaining below the average contribution rates for private industry.

*Financial Implication:* With no changes in staffing, the District could see cost savings of \$190,000 annually to the General Fund by increasing employee contributions to 15 percent. Requiring a 15 percent dental premium contribution from all employees would result in an annual cost savings of \$7,100 to the General Fund.

**R3.7 The District should attempt to renegotiate provisions within its certificated and classified employee collective bargaining agreements that are significantly above industry standards and State minimum requirements. Renegotiating these provisions would help the District to better control costs and reduce its forecasted financial deficit.**

Certain provisions within the FFLSD certificated and classified agreements were compared to State minimum standards and typical provisions. The following area in FFLSD's certificated and classified contracts exceeded these levels:

- **Maximum sick leave accrual / payout:** FFLSD's agreement allows certificated employees to accrue 210 sick days, which is in excess of State minimum standards of 120 days. The District pays unused sick leave at one-half of the value of the accrued time up to a maximum of 60 days compared to the State minimum (ORC §124.39) of one-fourth of the value, up to a maximum of 30 days. Provisions allowing employees to accrue sick days in excess of State minimums represents a potential for increased financial liability when accrued sick leave is paid out to retiring employees. In addition, using a higher rate of payout has significant financial consequences.
- **Paid holidays for classified employees:** FFLSD's classified agreement provides 11 paid holidays for employees that work 11 or 12 months of the year. State minimums (ORC § 3319.087) provide 7 paid holidays to 11 or 12-month employees. Paid holidays in excess of State minimums represent a potential for decreased operational efficiency.
- **Evaluations for classified employees:** The classified agreement does not mention the method or terms under which classified employees are evaluated. State minimum standards (OAC § 3301-35-05) state that classified staff shall be evaluated at regular intervals. Omitting an evaluation process diminished FFLSD's ability to provide performance-enhancing guidance and feedback to its staff on a regular basis.

Adjusting negotiated provisions can be difficult because they are specified in the contracts and need to be agreed upon by the respective bargaining members. However, if successful, the above-mentioned adjustments would lead to a reduction in the District's financial liability and an increase in the productivity of its employees.

## Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report. The financial implications are divided into two groups: those that are not, and those that are subject to negotiation. Implementation of those recommendations subject to negotiation requires agreement from the District's bargaining unit.

### Summary of Financial Implications for Human Resources

Recommendation	Annual Cost Savings
<b>Recommendations NOT Subject to Negotiations</b>	
<b>R3.2</b> Eliminate 2.0 FTE regular education teachers	\$89,800
<b>R3.3</b> Eliminate 1.5 FTE library aides	\$58,700
<b>R3.4</b> Eliminate 2.0 FTE office/clerical	\$43,700
<b>Total – Recommendations Not Subject to Negotiations</b>	<b>\$192,200</b>
<b>Recommendations Subject to Negotiations</b>	
<b>R3.5</b> Enroll in the BWC Drug-Free Workplace Program	\$19,000
<b>R3.6</b> Increase employee health care and dental premium contributions to 15 percent	\$197,000
<b>Total – Recommendations Subject to Negotiations</b>	<b>\$216,000</b>
<b>Total Estimated Savings</b>	<b>\$408,200</b>

Source: AOS Recommendations

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# Facilities

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## Background

This section of the performance audit assesses custodial and maintenance staffing, operations, expenditures, and building utilization in the Fort Frye Local School District (FFLSD or the District). FFLSD's operations are evaluated against leading practices and operational standards identified by the American School and University Magazine (AS&U), the Association of Physical Plant Administrators (APPA), and the National Center for Education Statistics (NCES), as well as selected peer school districts.<sup>1</sup> Comparisons were made for the purpose of developing recommendations to improve operational efficiency and business practices, and where appropriate, to assist the District in reducing expenditures.

### *Summary of Operations*

In FY 2008-09, FFLSD operated three elementary schools (grades kindergarten through six) and a high school (grades seven through twelve). The District also operated a bus garage. It employed a total of 10.9 full-time equivalent (FTE) custodial and maintenance staff.<sup>2</sup> Of those employees, 9.9 FTEs were custodial staff who reported to the building principals and were responsible for custodial, light maintenance, and groundskeeping duties. FFLSD also employed 1.0 FTE maintenance staff who reported to the Superintendent and was responsible for maintaining the facilities and completing some groundskeeping duties. In addition, the District occasionally hired temporary summer help as part of a grant-funded community action program.<sup>3</sup>

### *Key Statistics*

Key statistics related to FFLSD's maintenance and operations are presented in **Table 4-1**. Square footage data for the District's educational buildings was obtained by using the District's Ohio Schools Facility Commission (OSFC) facilities assessment, which was compared for accuracy against data from the Ohio Department of Education (ODE). The information included in the OSFC assessment was determined to be more accurate. Building square footage for non-educational buildings (i.e., the transportation facility) was provided by the Treasurer.

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<sup>1</sup> See the **executive summary** for a list of the peer districts.

<sup>2</sup> This figure does not include 1.0 FTE maintenance staff seeking permanent disability whose workload was not subsequently performed by substitute employees. In other words, the position and associated duties were left unfilled by the District.

<sup>3</sup> Temporary summer workers are students who are paid through a community action program and perform groundskeeping functions for the District. These individuals are not employees of the District and are not reported in EMIS. Temporary workers were not included in the staffing analysis, but would help lessen the workload of the District's staff.

Furthermore, since the District did not maintain acreage data, the figure was estimated by the District and compared for reasonableness to acreage reported by the Washington County Auditor's Office. Also included in **Table 4-1** and throughout the report, are the results of comparisons to the *Maintenance and Operations Cost Study (AS&U)*<sup>4</sup> and benchmarks established by NCES.

**Table 4-1: Key Statistics and Indicators**

Number of School Buildings <sup>1</sup>	4
<b>Custodial</b>	
Total Square Feet Cleaned <sup>2</sup>	226,130
NCES Level 3 Cleaning for Custodial	29,500
Suggested Staffing for Custodial Benchmark	7.7
<b>Maintenance</b>	
Total Square Feet Maintained	226,130
Five Year Average AS&U Annual Cost Survey National Median for Maintenance	94,870
Suggested Staffing for Maintenance Benchmark	2.4
<b>Groundskeeping</b>	
Total Acres Maintained <sup>3</sup>	37
Five Year Average AS&U Annual Cost Survey National Median for Groundskeeping	40
Suggested Staffing for Groundskeeping Benchmark	0.9
<b>FFLSD Staffing Levels</b>	
Total FFLSD M&O FTEs	10.9
Total M&O Department Staffing Need	11.0
<b>Difference</b>	<b>(0.1)</b>

**Source:** FFLSD, AS&U, NCES, and OSFC

<sup>1</sup> The District has three elementary schools, totaling 105,056 square feet, which house students in grades kindergarten through six. Fort Frye High School totals 112,315 square feet and houses students in grades seven through twelve. The District's administration offices are housed in Beverly-Center Elementary and the square footage is included in the total elementary school square footage.

<sup>2</sup> Total square feet cleaned and maintained includes the four schools and the bus garage.

<sup>3</sup> Acreage figure includes all fields used for athletics; custodial staff are responsible for maintaining all grounds.

As shown in **Table 4-1**, the District's maintenance and operations (M&O) staffing levels were in line with the industry benchmarks. Even though the District did not have an M&O handbook (**R4.3**) or written performance standards (**R4.4**), a physical inspection of the District's buildings indicated that they were clean and well maintained.

<sup>4</sup> The *Maintenance and Operations Cost Study* is an annual publication. This report draws on AS&U publications from the last five years. Cost data was obtained from FFLSD for FY 2007-08 and is compared with the 37<sup>th</sup> *Maintenance and Operations Cost Study (AS&U, 2008)*. However, the five year average includes staffing levels reported in the 38<sup>th</sup> *Maintenance and Operations Cost Study (AS&U, 2009)*.

## Financial Data

**Table 4-2** shows a comparison of FFLSD's M&O expenditures per square foot with the AS&U national median and the peer average.

**Table 4-2: M&O Expenditure Comparison**

Expenditures	FFLSD	Peer Average	Percent Difference	AS&U National Median	Percent Difference
District Square Feet	226,130	265,649	(15.0%)	N/A	N/A
Personal Services & ERIB <sup>1</sup>	\$2.63	\$2.54	4.0%	\$2.05	28.3%
Purchased Services <sup>2</sup>	\$0.50	\$0.48	4.2%	\$0.21	138.1%
Utilities	\$1.41	\$1.30	8.5%	\$1.52	(7.2%)
Electricity	\$0.98	\$0.69	42.0%	N/A	N/A
Water & Sewerage	\$0.06	\$0.09	(33.3%)	N/A	N/A
Gas	\$0.37	\$0.51	(27.5%)	N/A	N/A
Coal	\$0.00	\$0.00	N/A	N/A	N/A
Oil	\$0.00	\$0.01	(100.0%)	N/A	N/A
Other	\$0.00	\$0.00	(100.0%)	N/A	N/A
Supplies & Materials	\$0.45	\$0.35	28.6%	\$0.38	18.4%
Capital Outlay	\$0.01	\$0.06	(83.3%)	N/A	N/A
Miscellaneous	\$0.00	\$0.00	N/A	\$0.40	N/A
Total General Fund	\$5.00	\$4.73	5.7%	N/A	N/A
<b>Total All Funds</b>	<b>\$5.00</b>	<b>\$4.94</b>	<b>1.0%</b>	<b>\$4.56</b>	<b>9.6%</b>

**Source:** FFLSD 4502, Peer 4502 Average, and 37th Annual AS&U M&O Cost Study

**Note:** Totals may not sum due to rounding.

<sup>1</sup> Employee Retirement and Insurance Benefits (ERIB)

<sup>2</sup> Excludes Utilities.

As shown in **Table 4-2**, FFLSD's FY 2007-08 total M&O expenditures were slightly higher than the peer average and significantly higher than the AS&U national medians. However, FFLSD dedicated fewer resources per square foot to capital outlay and miscellaneous expenditures than the peer average and AS&U, respectively. The following are explanations of the areas in which the District's expenditures exceeded comparative benchmarks:

- **Personal Services & ERIB** – In this area of expenditures, FFLSD was higher than both the peer average and the AS&U national median. AOS found the District's M&O staffing was in line with the industry standard; however, personal services and ERIB costs were driven by the District's low employee contributions to health insurance benefits and generous plan design (see **human resources**).
- **Purchased Services** – In this area of expenditures, FFLSD was slightly higher than the peer average and significantly higher than the AS&U national median. Within purchased

services, 58.9 percent of its resources were for professional and technical services. Additionally, approximately 20 percent of expenditures were for both garbage removal and property insurance. (see **R4.3** for policy and procedure assessment)

- **Utilities** – In this area of expenditures, FFLSD was higher than the peer average but lower than the AS&U national median. As the AS&U national median does not compare utilities on an individual line-item basis, comparison to the peer average provided greater context. A comparison with the peer average showed that the District’s electricity expenditures were higher than the peer average, while expenditures attributed to natural gas and water and sewage were lower. The District had not implemented recommended energy conservation practices including monitoring or benchmarking energy usage and cost; adopted energy conservation policies and procedures; or implemented an energy conservation education program for staff and students (see **R4.5**).
- **Supplies & Materials** – In this area of expenditures, FFLSD was higher than both the peer average and the AS&U national median. Within supplies and materials, 77 percent of expenditures were for operation, maintenance, and repair. High supplies and material costs may be related to the lack of a facilities master plan, as well as capital improvement and preventive maintenance plans (see **R4.1**).

## **Audit Objectives for the Facilities Section**

The following performance audit objectives were reviewed in this section:

- Does the facility maintenance operation use appropriate performance and cost-efficiency measures and industry benchmarks to evaluate each function and does it use these in management decision making?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Is the District's custodial and maintenance staffing comparable to leading practices?
- Are District energy management practices comparable to leading practices?
- Are the District's facility management and planning practices comparable to leading practices?

M&O Department staffing levels, overtime usage, and security policies were found to be comparable to industry standards and recommended practices.

## Recommendations

**R4.1 FFLSD should develop a facilities master plan that contains elements of leading practices, including a five-year capital improvement plan, current enrollment projections, and a capacity analysis (see R4.2). The facilities master plan should be used as a road map for addressing future facility needs and planned educational programs, and be linked to the District's overall strategic plan (see financial systems).**

**To help implement its facilities master plan, the District should develop a formal five-year capital improvement plan (CIP), which should be reviewed annually to ensure preventive maintenance, critical repairs, and equipment replacements are completed. The CIP should include a project categorization and prioritization system that provides management with cost estimates, project timelines, and breakdowns between maintenance tasks and capital projects. Doing so would help ensure timely completion of work and would minimize safety hazards and building deterioration.**

FFLSD did not have a comprehensive facilities master plan or a capital improvement plan (CIP). Moreover, the District did not formally evaluate the conditions of its buildings. However, in FY 2006-07, FFLSD completed a facilities assessment through the Ohio Schools Facilities Commission (OSFC) and opted to defer state funding for a facilities construction project. Although the District did not have a long-term facilities plan, District administrators were optimistic about building new school buildings in the future. As a result, FFLSD had not dedicated resources to capital improvement projects.

*Creating a Successful Facility Master Plan* (DeJong, 2001) states that districts should develop a long-term facilities master plan that contain information on capital improvements and financing, preventive maintenance and work orders, overall safety and condition of buildings, enrollment projections, and capacity analyses. The plan should be developed on the foundations of sound data and community input. A facilities master plan, if developed appropriately, has the potential to significantly impact the quality of education in a school district. As a road map, the facilities master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district-wide facilities master plan is typically a ten-year plan that should be updated periodically to incorporate improvements that have been made, changes in demographics, or other educational directions.

*Preventive Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000) describes a capital improvement plan as a schedule of capital improvement projects listed by priority over a number of years (usually five or more).

Capital improvement plans typically include remodeling and new construction, as well as, major maintenance projects.

Formally assessing district buildings is a necessary component in developing and updating a facilities master plan and a CIP. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) explains that a facility audit is a comprehensive review of a facility's assets. A facility audit is a standard method for establishing baseline information about the components, policies, and procedures of a new or existing facility. An audit is a way of determining the status of the facility at a given time; that is, it provides a snapshot of how the various systems and components are operating. A primary objective of a facility audit is to measure the value of an aging asset relative to the cost of replacing the asset. Thus, a facility audit is a tool for projecting future maintenance costs.

By developing a comprehensive facilities master plan, FFLSD would be able to more accurately plan for long-term trends in District enrollment and balance this with its future financial condition. Furthermore, a five-year capital improvement plan will help the District ensure that facility needs are assessed on a regular basis and that it funds projects essential to protecting the condition and quality of its facilities. Regardless of its future building plans, it is essential FFLSD maintain its current buildings at an acceptable and safe level.

**R4.2 FFLSD should consider closing one elementary school in order to reduce excess building capacity and operating costs. When deciding which elementary to close, the District should take into account projected enrollment, building capacity, building utilization, and building condition. Closing one elementary school would bring the District's building utilization rates more in line with industry standards and would eliminate expenditures associated with the day-to-day operation of a building. Furthermore, FFLSD should annually project enrollment using a documented methodology. Completing enrollment projections will help the District make appropriate decisions regarding its facilities while taking into consideration current and future conditions.**

FFLSD completed an enrollment projection as part of its OSFC facilities assessment report in August 2006. However, the District has not updated its enrollment projection in subsequent years. As **Table 4-3** shows, Auditors developed an updated enrollment projection FY 2009-10 to FY 2013-14 using FFLSD's historical enrollment.



**Table 4-3: FFLSD Historical and Projected Enrollment**

Historical Enrollment					
Year	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Historical Enrollment	1,211	1,220	1,210	1,153	1,138
Projected Enrollment					
Year	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Projected Enrollment	1,106	1,077	1,020	975	940

Source: AOS and ODE

Shown in **Table 4-3**, FFLSD's projected enrollment may decrease from 1,138 students in FY 2008-09 to 940 students in FY 2013-14. The enrollment projection suggests a net decrease of 198 students over the five year projection period.

*Defining Capacity* (DeJong and Associates, 1999) recommends that elementary school capacity be determined using 25 students per classroom for all grades and excluding special use rooms, such as art and music, in the capacity calculation. DeJong suggests setting classroom use at 85 percent for high schools because of bell schedules, teacher prep work spaces, and other factors that limit the use of every space 100 percent of the time. **Table 4-4** shows FFLSD building utilization rates based on the DeJong capacity analysis methodology.

**Table 4-4: FFLSD Building Utilization Rates**

Building	Capacity	FY 2008-09 Head Count	Over/(Under) Capacity	Utilization Rate
Beverly-Center Elementary	400	272	(128)	68%
Lowell Elementary	325	139	(186)	43%
Salem-Liberty Elementary	250	153	(97)	61%
<b>Elementary Total</b>	<b>975</b>	<b>564</b>	<b>(411)</b>	<b>58%</b>
<b>Fort Frye High School</b>	<b>786</b>	<b>584</b>	<b>(202)</b>	<b>74%</b>

Source: FFLSD, ODE, and DeJong and Associates

As shown in **Table 4-4**, FFLSD's building utilization falls below the 85 percent utilization rate recommended by DeJong. Furthermore, **Table 4-4** shows that FFLSD may still have some excess capacity throughout the District even after it closes an elementary school.

Closing one elementary school building would allow the District to reduce an additional 1.5 M&O FTEs.<sup>5</sup> The Transportation Supervisor and District administrators should work together to reconfigure existing bus routes and if necessary, alter bell schedules to ensure efficient operations are maintained (see **transportation**).

<sup>5</sup> Closing the building, but continuing to maintain the building and grounds, would allow the District to reduce only 1.0 custodial FTEs.

*A Guide for the Adaptive Use of Surplus Schools* (Giljahn & Matheny, 1981) notes that although a number of districts are experiencing declining enrollment, there has not been a corresponding decline in facilities expenditures per pupil. In fact, the cost of operating half-empty schools is particularly wasteful as many of the expenses at these schools continue as if the building was fully occupied. Almost as many teachers and custodial workers are required to staff a partially used school, and neither utility bills nor debt service charges decrease with enrollment.

Faced with the aforementioned scenario, many school administrators have generally recommended the closing of surplus facilities as the simplest and most inexpensive immediate solution. Consolidation of students and educational resources has immediate benefits which include balancing class sizes, sharing educational materials, reducing staff, easier supervision of programs, and fewer dollars spent on fuel, maintenance and personnel.

Giljahn and Matheny also identify three strategies, aside from demolition, which districts may pursue in order to recognize the aforementioned benefits. These strategies include mothballing, lease, and sale of surplus facilities. Mothballing allows a district to retain unused property until the space is needed again or the building's future disposition can be determined. There are some initial costs to this option, typically for securing the facility, as well as ongoing costs for maintenance, utilities, security, and repair. Leasing surplus buildings allows a district to rent a facility to another entity, typically a government or non-profit, while still retaining ownership. Although leasing may be an attractive option, the district continues to incur ownership costs and district administrators are not typically prepared to act as property managers. Finally, selling surplus buildings allows a district to transfer unused facilities to the private sector. This option eliminates upkeep costs to the district and generates a financial return on spaces that are no longer needed; however, the buildings may have low market value and limited zoning designation.

By operating with excess capacity, the District incurs unnecessary operating costs associated with personnel, utilities, and supplies and materials. If FFLSD were able to successfully dispose of an underutilized elementary school building, it could eliminate an unnecessary financial obligation.

*Financial Implication:* If FFLSD closes an elementary school building, the total savings related to this recommendation, including utilities and custodial staff would amount to approximately \$86,500 annually. Annual cost savings could be greater than projected depending on subsequent staffing decisions associated with administrative, food service, office and clerical, and teaching staff (see **human resources**). Furthermore, the sale of a building would generate one-time revenue for FFLSD.

**R4.3 FFLSD should establish a formal policy and procedure manual for its custodial and maintenance operations. This manual should address the mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, vehicle use guidelines, security standards, and work order procedures. Furthermore, it should contain specific instructions on the performance of routine and non-routine tasks and directions for operating any equipment to be used in completing the tasks. The District should review the M&O policy and procedure manual annually and update it as necessary. In order to evaluate operating efficiency, the manual should contain performance measures and industry standards that outline time and quality expectations.**

FFLSD did not have a policy and procedure manual for M&O staff that communicated workload expectations. The District relied on head custodians in each building to communicate day-to-day responsibilities and expectations to custodial staff, which may not be consistent or in line with industry standards and manufacturers recommended practice for equipment maintenance.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible and written at a level consistent with the reading ability of department members. The maintenance and operations manual should include a mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, security procedures, vehicle use guidelines, and work order procedures.

Some Ohio school districts have developed M&O Department handbooks to standardize and communicate expectations for custodial and maintenance staff. For example Mansfield CSD (Richland County) has a handbook that includes department staff information (e.g., organizational chart, work rules, and expectations), job descriptions, negotiated agreement and sick leave information, various forms (e.g., sign in sheet, leave forms, and compensatory and overtime forms), basic procedures, and preventive maintenance guidelines. Oregon CSD (Lucas County) has a similar handbook that outlines daily time schedules, tasks by area, routine cleaning procedures, and an overall description of what level of cleanliness is expected by the district.

Without a formal policies and procedures manual to guide custodial and maintenance operations, procedures and standards may not be consistently followed. Implementing standards for M&O staff will help ensure efficient and effective cleaning and that issues are managed in a consistent manner. The development of the M&O handbook could be implemented at minimal cost to the District.

**R4.4 FFLSD should develop formal performance standards and measures to clarify staff expectations and consistently evaluate the efficiency and effectiveness of maintenance and operations personnel. These measures should be based on industry standards, national benchmarks, or similar area districts. Increased efforts to measure and track performance can improve decision-making and resource allocation and may help reduce operating expenditures. Additionally, the District should evaluate the performance of all M&O Department staff annually based on the established performance measures. The performance measures should be based on and consistent with the procedures identified through an operating handbook or written guidelines (see R4.3) to ensure that all staff are properly informed of expectations related to their positions.**

FFLSD did not have written performance standards to measure M&O efficiency and evaluate custodial and maintenance staff. Furthermore, the District does not evaluate the performance of M&O staff annually. A review of six M&O personnel files indicated that evaluations were not conducted consistently among staff. For instance, some files included documentation of annual evaluations, while others included no recent evaluations. At FFLSD, building principals are responsible for evaluating custodial employees, while the Superintendent evaluates maintenance staff.

The Superintendent believes the District has not completed employee evaluations consistently for M&O staff because annual evaluations are not mentioned in the classified staff negotiated agreement. However, the Board policy on the evaluation of support staff maintains that the regular evaluation of all support staff is intended to improve services, provide a continuing record of service of each employee and provide evidence on which to base decisions relative to work assignment and re-assignment. The policy further states that the development of annual written performance evaluations for classified staff is the responsibility of the Superintendent. Lastly, the Board policy states that procedures used in the evaluation process are subject to Board approval or in accordance with the negotiated agreement.

The District has a standardized evaluation form that is used to evaluate classified employees. The evaluation tool does not directly address performance standards but uses a rating system to assess broad areas including: the quality and quantity of work, ability to learn new tasks, knowledge of job, work habits, dependability, attitude, personal qualities, and judgments.<sup>6</sup> The evaluation instrument also includes a section for the evaluator to provide written comments on the employee's strengths and weaknesses.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) states that employee performance must be evaluated on a regular basis to ensure that staff are doing

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<sup>6</sup> The evaluation tool for classified staff ranks an employee's performance as either satisfactory, needs improvement, or unsatisfactory.

their part to meet an organization's goals and objectives. To assess staff productivity, the organization (through its managers and supervisors) must establish performance standards and evaluation criteria. For example, a custodian's performance might be measured by the amount of floor space or number of rooms serviced, the cleanliness of those facilities, and his or her attendance history. The custodian's work likely will be assessed by his or her immediate supervisor and the principal of the school.

*Best Practices in Public Budgeting* (Government Finance Officers Association, 2000) recommends that organizations develop and utilize performance measures for functions, programs, and/or activities. Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable terms.

Determining performance standards may be best accomplished as a joint endeavor between the individual and his or her supervisor. Although some supervisors may be reluctant to share this authority, joint decision-making with the staff member has two very positive features: first, the staff member can communicate typical features of his or her working conditions that warrant modification of "normal" performance standards (e.g., the vinyl tile floor in the work area requires additional time to clean properly); and second, the supervisor will know that the staff member is fully aware of the expectations.

Without written performance standards, the District lacks comprehensive and objective guidelines to evaluate custodial and maintenance operations. Developing performance standards and conducting annual evaluations would allow FFLSD to better assess the efficiency and effectiveness of staff using consistent measures. Providing formal, regular feedback to its employees based on objective standards would also encourage employees' work efforts and productivity.

**R4.5 FFLSD should establish formal policies and procedures outlining energy efficient practices that District staff should follow and use to educate students about reducing energy costs. Furthermore, FFLSD should ensure that it is appropriately tracking and benchmarking utility information in order to determine the effectiveness of its energy conservation efforts.**

Although FFLSD's total utility costs were lower than the AS&U national median, compared to the peer average, the District's utility costs were higher per square foot. One of the reasons for the high utility costs per square foot was that FFLSD did not have a District-wide energy conservation policy, and did not engage in educational programs that address energy conservation. Because the District lacked an energy conservation policy or program, it is likely that opportunities exist for improving the District's energy efficiency. For instance, the windows at the high school were old and likely contributed

to energy loss. Two elementary schools were based on the “open classroom” concept,<sup>7</sup> and lights in instructional areas operated on one switch. The Beverly Elementary School Principal indicated that it prevented staff from leading a low-cost “turn the lights off” campaign. On weekends when the gym was not used by organized sports, it could be used by community members. The Superintendent believed that lights may be left on over the weekend and recognized that it could have contributed to higher energy costs. While District administrators identified energy inefficiencies, the Superintendent is hesitant to replace windows and retrofit lights until the District made decisions about future building plans (see **R4.1**).

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a school district to accomplish more efficient energy management:

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the District’s energy management program, and give this energy manager access to top-level administrators;
- Monitor each building’s energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment; and
- Install motion detectors that turn lights on when a room is occupied (and off when the room is unoccupied).

*School Operations and Maintenance: Best Practices for Controlling Energy Costs – A Guidebook for K-12 School System Business Officers and Facilities Managers* (U.S. Department of Energy, 2004) indicates that there are different types of energy conservation programs. Energy tracking and accounting programs are comprehensive and require the collection, recording, and tracking of monthly energy costs in all school district facilities. The data allow staff to compare energy performance in all buildings and identify problems at individual facilities. On the other hand, voluntary energy awareness programs operate on the premise that increasing the general energy awareness of faculty, staff, and students will result in voluntary changes in behavior and reductions in energy consumption. Finally, quick fix and low cost programs rely on the identification and repair of simple building problems that are moderate in cost and likely have a short

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<sup>7</sup> The open classroom concept was popular in the 1970s and is based on a configuration of multiple classrooms grouped together with no interior walls. Since the building was constructed, FFLSD has added partial wall dividers.

energy savings payback. Such programs may include replacing weather-stripping on doors and windows, instituting night and weekend temperatures setbacks, and establishing district-wide shut down procedures.

The Rebuild America Program (U.S. Department of Energy) selected the Ohio Energy Project (OEP), a nonprofit organization, to develop Ohio's EnergySmart Schools Program (OESSP). OESSP provides materials and programs for teachers and students to improve the learning environment in schools while saving energy and money and 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 districts curricular needs and efficiency improvement plans.

*School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004) suggests that energy savings of up to 15 percent are achievable but will not be realized until the new energy efficient operations and maintenance program has been implemented. However, some degree of energy awareness typically generates an immediate 1 to 3 percent operational savings.

*Financial Implication:* Because the District did not have an energy conservation program, taking any step toward energy awareness could result in an immediate savings in its utility costs of 3 percent or approximately \$9,100 by the end of FY 2009-10. More significant reductions of 15 percent could be realized thereafter, for savings of approximately \$45,800 annually in FY 2010-11 through FY 2012-13.

## Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

**Table 4-5: Summary of Financial Implications for the Facilities Section**

Recommendation	Estimated Cost Savings
<b>R4.2</b> Close one building and eliminate 1.5 custodial FTEs	\$86,500
<b>R4.5</b> Implement an energy conservation program <sup>1</sup>	\$9,100
<b>Total</b>	<b>\$96,500</b>

**Source:** AOS Recommendations

<sup>1</sup> Savings are estimated for FY 2009-10; however, in FY 2010-11 and through the end of the forecast period, savings are estimated at \$45,800 annually.



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# Transportation

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## Background

This section of the performance audit focuses on Fort Frye Local School District's (FFLSD or District) transportation operations. The overall purpose of this section is to analyze and compare key operational areas and, where applicable, develop recommendations for improvements in operations and reductions in expenditures. FFLSD's operations were evaluated against leading practices and operational standards from the National Association of State Directors of Pupil Transportation Services (NASDPTS), the Transportation Research Board, the Ohio Revised Code (ORC) and Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), and peer districts.<sup>1</sup>

ORC § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in kindergarten through eighth grade who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to other students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. According to OAC § 3301-51-10, 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. The District's practice is to transport all students in grades kindergarten through 12 who live further than 1 mile from their school (see **R5.2**). FFLSD's topography and the geographical shape of the District create challenges in planning routes for the transportation of students. An extremely hilly terrain, a large number of one-lane winding roadways, and considerable distance between schools contribute to long ride-times and lower utilization rates (see **R5.1** for analysis on routing).

### *Operating Environment*

The Transportation Director manages the District's Transportation Department (the Department) and has supervisory responsibilities for the Department's mechanic and bus drivers. The Superintendent's secretary provides administrative support for day-to-day operations. FFLSD employs multi-tier routing and cluster stops to improve the efficiency of its routes.

Transportation reports (T-reports) are used to convey ridership (T-1) and cost (T-2) information to ODE and other stakeholders. FFLSD overstated its transportation costs on the T-2 report by including the insurance cost of all vehicles for FY 2007-08, including vehicles not used for the transportation of students. Though the cost data includes reporting errors, the data is the best

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<sup>1</sup> See the **executive summary** for a list of the peer districts.

available and will be used to compare FFLSD's total transportation expenditures to its peers (see **R5.3**).

### *Operating Statistics and Cost Comparisons*

**Table 5-1** compares the FY 2007-08 key operating statistics for FFLSD with the peer average.

**Table 5-1: FY 2007-08 Key Statistics Comparison**

	<b>FFLSD</b>	<b>Peer Average</b>	<b>Percent Difference</b>
Square Miles	136	141	(3.5%)
Total Bus Riders <sup>1</sup>	728	1,183	(38.5%)
Active Buses	18	18	0.0%
Spare Buses	6	6	0.0%
Annual Routine Miles	330,840	297,666	11.1%
Annual Non-routine Miles	6,491	24,524	(73.5%)
Total Miles	337,331	322,190	4.7%
Riders per Square Mile	5	10	(48.1%)
Riders Per Active Bus	40	65	(37.4%)
Routine Miles Per Active Bus	18,380	15,380	19.5%

**Source:** FFLSD and peer data as reported to ODE and EMIS enrollment reports. Peer data was not tested for reliability.

**Note:** Totals may vary due to rounding.

<sup>1</sup> Does not include payment-in-lieu, which is Type IV transportation

As shown in **Table 5-1**, FFLSD is similar in size to the peer average, but its buses cover a greater number of routine miles than the peers. Furthermore, FFLSD transports a smaller percentage of its total student enrollment, but uses the same number of buses as the peers, which leads to low bus utilization levels. For example, in FY 2007-08 the District transported an average of 40 riders per bus (20 per bus run), an amount 37 percent lower than the peer average (see **R5.1** for a further assessment on transportation efficiency).

### *Expenditure Ratios*

**Table 5-2** shows a comparison of overall transportation costs per rider, per bus, and per routine mile with the peers.

**Table 5-2: FY 2007-08 Cost Comparison**

	<b>FFLSD</b>	<b>Peer Average</b>	<b>Percent Above (Below)</b>
Per Rider	\$1,213	\$736	64.8%
Per Active Bus	\$49,077	\$46,523	5.5%
Per Routine Mile	\$2.67	\$3.08	(13.3%)

**Source:** FFLSD and transportation expenditure data as reported to ODE

**Note:** FFLSD's FY 2008-09 transportation costs (T-2) report was not available during the course of this audit for comparison purposes.

As shown in **Table 5-2**, FFLSD's cost per rider and cost per active bus were higher than the peer average, while costs per routine mile were 13 percent lower than the peer average. As shown in **Table 5-1**, FFLSD drove 11 percent more routine miles than the peers, which results in lower expenditures per mile. However, higher costs per rider and per active bus indicate potential opportunities to improve efficiency (see **R5.1**).

The *37th Maintenance and Operations Cost Study* (American School & University Magazine, 2008) identifies the national median cost of transportation as \$437 per student, or 4.88 percent of total district expenditures. Both FFLSD and the peers exceed these national benchmarks, spending approximately \$1,213 and \$736 per rider respectively, and dedicating over 9 percent of all Governmental Fund expenditures to pupil transportation.

**Table 5-3** displays FFLSD's historical transportation expenditures by line item as reported in the District's T-2 reports.

**Table 5-3: FFLSD Transportation Expenditures**

	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>Percentage Change</b>	<b>FY 2007-08</b>	<b>Percentage Change</b>	<b>3 Year Change</b>
Salaries	\$299,876	\$302,270	0.8%	\$333,481	10.3%	11.2%
Benefits	\$231,876	\$267,396	15.3%	\$302,484	13.1%	30.5%
Maintenance & Repairs	\$89,085	\$83,522	(6.2%)	\$75,154	(10.0%)	(15.6%)
Fuel	\$113,595	\$113,569	0.0%	\$143,879	26.7%	26.7%
Bus Insurance	\$15,929	\$14,384	(9.7%)	\$12,959	(9.9%)	(18.6%)
All Other Costs	\$10,094	\$11,343	12.4%	\$15,432	36.1%	52.9%
<b>Total Type I Expenditures (Board owned or leased school buses)</b>	<b>\$760,455</b>	<b>\$792,484</b>	<b>4.2%</b>	<b>\$883,389</b>	<b>11.5%</b>	<b>16.2%</b>
Total Type IV Expenditures (payment in lieu of transportation)	\$9,276	\$0	N/A	\$0	N/A	N/A
Total Type V Expenditures (Board owned vehicles other than school buses)	\$10,618	\$8,751	(17.6%)	\$6,784	(22.5%)	(36.1%)
Total Type VI Expenditures (privately owned vehicles other than school buses)	\$0	\$6,586	N/A	\$4,784	(27.4%)	N/A
<b>Total Expenditures All Types</b>	<b>\$780,349</b>	<b>\$807,821</b>	<b>3.5%</b>	<b>\$894,957</b>	<b>10.8%</b>	<b>14.7%</b>

**Source:** FFLSD T-2 reports

**Note:** T-2 expenditure data for FY 2008-09 will not be available until August 2009.

N/A= not applicable

As shown in **Table 5-3**, the District's total Type I expenditures increased by 16 percent over the three-year period primarily due to increases in salary and benefits (see **human resources** section) and fuel costs. With the elimination of four active buses and lower routine miles reported to ODE for FY 2008-09, the District should see a decrease in expenditures for fuel and maintenance.

## **Audit Objectives for the Transportation Section**

The following is a list of the questions used to evaluate the FFLSD transportation function:

- How can the District improve the accuracy and reliability of its transportation data?
- How does the District's transportation service compare with peer districts and/or industry standards to determine efficient operation?
- How does the District's allocation of transportation expenditures and cost ratios compare with peer districts?
- Is the District effectively and efficiently maintaining and managing its fleet?

AOS found that FFLSD met recommended practices in its procurement of fuel and other transportation supplies.

## Recommendations

**R5.1 FFLSD should increase its operating efficiency and eliminate two buses. It should regularly review its bus capacity utilization by monitoring ridership levels and altering routes periodically to coincide with changes in ridership.**

To increase the number of riders per bus, the District should consider altering its bell schedules to allow more time between runs. Where transportation is impractical, the District should consider offering payment in lieu of transportation. Finally, the District should consider using routing software to identify routing options and reroute inefficient runs.

*During the course of the audit, FFLSD purchased and began to implement routing software.*

Table 5-4 illustrates the District's enrollment and ridership statistics for the past three fiscal years.

**Table 5-4: FFLSD Key Operating Statistics History**

	FY 2006-07	FY 2007-08	FY 2008-09
<b>Enrollment<sup>1</sup></b>	1,210	1,153	1,138
<b>Total Riders<sup>2</sup></b>	911	728	678
<b>Total Riders as % of Enrollment</b>	75%	63%	60%
<b>Active Buses</b>	17	18	14
<b>Bus Riders per Active Bus</b>	54	40	48

**Source:** FFLSD transportation data as reported to ODE.

**Note:** Totals may vary due to rounding.

<sup>1</sup> As used in this section, enrollment is synonymous with head count. This differs from its use in **human resources**, where it reflects the percent of time students are educated at FFLSD.

<sup>2</sup> Includes all active buses, including regular education routes and special education routes.

As shown in **Table 5-4**, the total number of riders declined over the three-year period, coinciding with the District's decline in enrollment. The District decreased the number of active buses in FY 2008-09, which led to an increase in ridership per bus. Despite recent reductions in the number of active buses, FFLSD has not reduced its active bus fleet to a level sufficient to maintain efficient ridership levels relative to its bus capacity.

### *Methods to Improve Utilization*

FFLSD utilizes multi-tier routing and staggered bell schedules, as well as cluster stops where feasible. However, the District does not use transportation software when organizing its routes, but instead relies on historical knowledge and paper records of



student information. The Transportation Director uses a binder to maintain and track routing information such as student addresses and schools attended. A review of the transportation records indicated that the District's data did not reflect current information. For example, the routing data included names of drivers that were no longer with the District, and the driving times on the route sheets conflicted with other information provided to auditors. This illustrates the difficulty in manually planning and maintaining up-to-date routes.

There are several ways that districts can increase bus utilization and efficiency, such as multi-tier routing, staggered bell schedules, and the use of cluster stops. Furthermore, many districts depend on transportation software to ensure efficient routing is achieved, as opposed to manually developing routes based on hand written data on each rider.

In its 1998 review of the Socorro Independent School District, the Texas School Performance Review explained that the coordination of bell times allows for multiple trips and greatly improves the productivity of each bus route, lowering the cost of service. According to the ODE Director of Pupil Transportation, in most cases it is necessary to change the bell schedule so that multiple tiered routes can be used. If a change to multiple tiered routing allows for a reduction of buses in the fleet, then a substantial cost savings will result. Extending the time between bells would allow some buses to pick up additional students; however, it would not impact buses that already pick up large numbers of students at cluster stops.

ORC § 3327.02 provides that a board of education may determine that it is impractical to transport a pupil who is eligible for transportation to and from school. The District must consider several criteria, which are outlined in the statute, before deeming transportation impractical. In the case of FFLSD, it may wish to examine some of its routes with very low ridership to determine if alternative transportation methods would be feasible.

Finally, developing effective routes is critical for improving routing efficiency. *A Methodology for Evaluating of School Bus Routing – A Case Study of Riverdale, New Jersey* (Transportation Research Board, 2001) evaluates and compares three techniques used in school bus routing. The study ultimately found computerized routing to be the most effective solution to routing issues as the software generated the lowest cost routes. By using routing software, consolidating routes, and altering bell schedules, the District can increase the number of riders on each bus, which would bring the District in line with national benchmarks and decrease transportation costs.

#### *Utilization Analysis in Detail*

Actual or "in-use" capacity for a given size of bus under all conditions has not been established by the school transportation industry and this figure is, in some instances, less

than “manufacturer rated maximum capacity” (e.g. middle and high school students). However, the National Highway Transportation Safety Administration (NHTSA) and NASDPTS have provided information that can be used to develop capacity guidelines.

- The NHTSA and NASDPTS indicate that a bus can generally accommodate three smaller riders on a standard 39-inch seat based on the hip dimensions of a 5th percentile adult female test dummy as specified in Federal Motor Vehicle Safety Standards (FMVSS).<sup>2</sup> The “in use capacity” is generally understood to accommodate three smaller sized (elementary school) children based on the FMVSS but only two children of middle or high school age based on the larger size of those students. Seating may be further limited by specialized equipment or safety seats.
- The NHTSA and NASDPTS recommend that states or school districts establish parameters for bus capacity as part of their formal transportation policies.
- The National Conference on School Transportation and NHTSA note that the limiting factor in seating capacity is whether there is sufficient room for a seated child to be completely within the seating compartment and fully shielded by the seat in front of them. Federal crash protection requirements state that the interior of large buses must provide occupant protection without the need for seat belts. However, this requires occupants to be fully inside the seating envelope to obtain the full crash-protection benefits of the bus construction.

The North Carolina Department of Public Instruction (NCDPI) has implemented NASDPTS recommendations for states to establish “in use capacity” for school buses. The NCDPI notes that the maximum capacity for grades 9-12 is calculated as the number of seats times two (i.e. two students per seat). The maximum capacity for grades 6-8 is calculated as the number of seats times 2.5, where half of the seats would have two students and half would have three students. The maximum capacity for grades Kindergarten through 5 is calculated as the number of seats times 3 (i.e. three students per seat). Finally, NCDPI cautions districts that they must provide seating within the seating compartment for all students assigned to the bus, whether or not the assigned load reaches the maximum capacity.

For the capacity analysis, auditors apply a benchmark “in use” bus capacity for a 70-passenger bus using 3 elementary students per seat and 2 students per seat for middle and high school students. This capacity is then prorated at 80 percent to accommodate potential ridership fluctuations that occur throughout the year. **Table 5-5** shows the

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<sup>2</sup> A 5<sup>th</sup> percentile adult female dummy is approximately 4 feet, 11 inches tall and weighs 102 pounds.

comparison of FFLSD bus utilization to the benchmark “in use” capacity during FY 2008-09 based on all regular bus riders.

**Table 5-5: FFLSD FY 2008-09 Ridership Analysis**

Ridership	FFLSD FY 2008-09
Total Number of Active Regular Buses	13 <sup>1</sup>
Potential “In Use” Capacity	989
Potential “In Use” Capacity per Bus	76
District's Number of Regular Type 1 Riders (All Riders)	671
District Average per Bus (All Riders)	51.6
<b>Number of Buses Needed to Achieve Benchmark “In Use” Capacity</b>	<b>8.8</b>
<b>Number of Buses Over (Under) Benchmark</b>	<b>4.2</b>
District's Number of Regular Type 1 (Public School) Riders	645
District Average per Bus	53.8
<b>Number of Buses to Achieve Benchmark “In Use” Capacity for Regular Public School Riders</b>	<b>8.7 <sup>2</sup></b>
<b>Number of Buses Over (Under) Benchmark</b>	<b>3.3</b>
<b>Number of Buses over (Under) Benchmark Based on 80% “In Use” Capacity</b>	<b>2.4</b>

Source: FFLSD FY 2008-09 T-1 Report

<sup>1</sup> Does not include one special needs bus

<sup>2</sup> Does not include bus #20 which transports all non-public school students

According to **Table 5-5**, the District operates below benchmark capacity based on average ridership presented in its T-1 report for FY 2008-09. Based on benchmark “in use” capacity and removing non-public riders and routes from the calculation, FFLSD could eliminate three buses. Applying an 80 percent factor to accommodate fluctuations in ridership limits the number of buses that could be reduced to two.

Once target “in use” capacity was calculated, auditors compared the actual and potential utilization rates to the ODE target efficiency ratio for the District. ODE calculates optimal ridership for each district in Ohio, but it adjusts its “in use” capacity benchmarks to account for geographic size and configuration (square miles) and population density. It compares its calculations to information reported on the T-1 forms and establishes an “efficiency rating” for each district. The State average ridership ratio is 1.0. **Table 5-6** shows the calculated targeted efficiency determined by ODE for FFLSD in FY 2008-09.

**Table 5-6: FFLSD's FY 2008-09 ODE Target Efficiency Ratio**

Bus Count	Square Miles	Total Riders > 1 Mile	Riders Per Bus	Density: Riders/Square Mile	Adjusted Target Ridership	Actual Riders/Bus	Ridership Ratio
13	136	671	51.6	4.9	39.8	51.6	1.30

Source: FFLSD FY 2008-09 transportation report; ODE FY 2008-09 Targeted Efficiency

**Table 5-6** shows FFLSD's ODE targeted ridership is 39.8 riders per bus. Although FFLSD's costs per rider and bus (**Table 5-2**) and its bus capacity levels (**Table 5-4**) indicate transportation inefficiencies, ODE calculates FFLSD's efficiency ratio as 1.30 or more efficient in comparison with similar districts based on its population density and the configuration of the District.

Although it may be difficult to reduce the number of buses used because of the District's lower population density and the fact that its geographic layout affects rider travel time, taking steps to increase bus utilization would lead to a reduction in the District's transportation costs. Similarly, any efficiency gained in the routes themselves would reduce the cost of fuel and maintenance for the fleet.

*Financial Implication:* The estimated one-time cost for purchasing routing software is approximately \$10,000. Annual maintenance fees are approximately \$2,000. FFLSD could minimize these costs by collaborating with a neighboring district to obtain the software and training needed for its personnel.

- R5.2 In order to enhance its formal records pertaining to transportation operations, the District should update Board-adopted transportation policies to reflect the actual level of service provided. The District should then communicate the transportation policies to its stakeholders through the District website. This will ensure that stakeholders are aware of the District's transportation practices. Finally, FFLSD should develop and implement a drivers' handbook to ensure that transportation personnel are familiar with the appropriate procedures for key aspects of operations.**

FFLSD has limited formal documentation pertaining to its transportation operations. The District's Board policies are maintained in hard copy, have not been updated recently, and do not reflect current transportation practices. Furthermore, the District's transportation policies are not readily available to its stakeholders (e.g., students and parents) through electronic media such as the District's website. However, the District communicates transportation information to the public by posting routes in the local newspaper, using local radio, placing bell schedules and school bus discipline information in student handbooks, and including some transportation information in the

District's newsletter. Finally, FFLSD does not have a driver handbook outlining operational policies and detailed procedures.

FFLSD transports all kindergarten through grade 12 riders living further than one mile from their school. According to the Transportation Director, the District does not transport students who live in the two major towns in the District, Beverly and Lowell. However, Board policies state that the District transports students in kindergarten through grade eight who live more than two miles from school. Therefore, the District's actual practice for transporting students living more than 1 mile from their school and outside of the major towns does not reflect the District's written transportation policies.

According to *Key Legal Issues for Schools* (Association of School Business Officials International (ASBO), 2006), the general operating procedures for school boards should include annual reviews of all policies to determine whether modifications should be made on the basis of implementation and experiences. ASBO recommends that school boards consider developing policy review committees to identify issues and situations that should be considered during annual policy reviews. Once school boards formally adopt policies, they should inform employees and stakeholders that they have done so.

Cincinnati City School District posts information on its website to inform its community of the transportation service levels that are provided to its students. The District explains changes made for the school year and includes a description of the service levels that will be provided. Hemet Unified School District (Hemet, California) also maintains an extensive web site. The web site includes detailed information on transportation and links to helpful forms and handbooks. In addition, the web site includes a list of frequently asked questions and bell schedules.

According to ASBO, district officials are responsible for implementing each policy by drafting related regulations and procedures, developing programs required by the policy, communicating the policy to all groups, and ensuring that all employees comply with the policy. The Lancaster City School District developed a transportation operations manual, which includes detailed procedures regarding safety hazards and how to respond to emergency situations. The manual is provided to each driver and managers review it with drivers to help ensure that drivers are aware of their responsibilities. Miami East Local School District (MELSD) has also developed a Bus Driver Handbook. MELSD's handbook contains important information including procedures for fueling buses, completing route sheets and pupil counts, following State of Ohio Rules and Regulations, training staff, and complying with emergency procedures.

By not updating its Board policy to reflect the current transportation service levels and not placing its transportation policies online, the District may not be effectively communicating its transportation practices to the community. By more effectively

communicating its transportation policies to the community, the District can ensure that there is no confusion about service levels and requirements. In addition, developing and implementing a drivers' handbook, which can be accomplished at no additional cost to the District, would ensure that its transportation personnel are fully aware of Board and administration expectations as they relate to the provision of pupil transportation.

**R5.3 FFLSD should develop and implement written procedures for completing, reconciling, and submitting T-forms. The Transportation Director and the Treasurer should verify that all expenditures reported in the T-2 report are consistent with ODE instructions.**

The District does not have written procedures that outline steps for compiling the T-reporting information based on ODE's requirements. The Transportation Director is responsible for ensuring compliance with ODE guidelines for the submission of the District's October ridership and mileage on the T-1 report. T-2 cost reports are completed by the Treasurer, since he has access to all the financial data except for the cost per gallon of fuel, which is provided by the Transportation Director. The Superintendent's secretary also helps the Transportation Director prepare the transportation reports and has attended ODE's training on transportation reporting.

In FY 2007-08, FFLSD incorrectly reported insurance and fuel costs for all of its vehicles, rather than just the buses in the District's pupil transportation fleet. Therefore, the District overstated its transportation costs. Although the District recorded the October ridership count, it did not back the count up with formal documentation to ensure that it includes all information required by ODE, such as AM and PM counts and school locations.

Reporting transportation data to ODE is a complex process. ODE has specific instructions for reporting associated transportation costs and riders, which are provided on its website.<sup>3</sup> The instructions include when to count riders, which riders to count, and what time of the day to count riders. In addition, ODE has instructions for counting special education riders and for reporting transportation-related expenses. Following these instructions will help improve FFLSD's reporting accuracy and could, if transportation reimbursements from the State return to a formula-driven calculation, help it receive the maximum reimbursement it is allowed.

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. The first step in ensuring accurate

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<sup>3</sup> <http://education.ohio.gov>

data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-forms.

Without written policies and procedures that identify the process and methodology for completing and reviewing the T-forms for accuracy and completeness, FFLSD risks submitting erroneous or improperly derived information to ODE. On the other hand, well-documented procedures enhance the accountability and consistency among staff and management. Establishing a formal procedure that explains the methodology used to prepare T-reports will help ensure that the District is reporting accurate information.

**R5.4 FFLSD should improve the internal controls over its unsecured fuel dispensing system. Specifically, the District should require submission of a monthly mileage and fuel use report for each bus driver using the system to reduce the risk of theft or misappropriation. The District should also develop written internal control policies and procedures for dispensing fuel and reporting its use. These should be included in the drivers' handbook (see R5.2), and include secondary oversight by an employee outside the Transportation Department. Finally, if the District were to make changes to its facilities that would result in the closing of a school and lead to the restructuring of its routes (see facilities), it should eliminate its unsecured fuel dispensing unit.**

FFLSD has two fuel dispensing units located at both ends of the District to allow buses to refuel without having to travel long distances. One fuel unit requires a key card for operation. The other dispensing unit is physically located at the Transportation Director's home and is accessible without a key or card. The District does not require bus drivers to submit a fuel usage report for this dispensing unit. The secured dispensing unit can produce fuel usage reports for each bus.

The District does not have written policies addressing the dispensing fuel. According to the Transportation Director, the District has not experienced fuel theft. However, it is not clear how the District can firmly state that there has been no theft from the unsecured fuel dispensing unit because there are no reporting requirements or oversight. According to the Transportation Director, he compares invoices for the year showing fuel delivered to each tank, and compares it to gallons dispensed. However, this method of control would only determine leakage, not theft.

*Best Practices* (Ohio Office of Auditor of State, 2006) suggests that a well-designed internal control structure, framed through clear policies and procedures, helps to reduce improper activities and errors. Designing and implementing internal controls is a continuous process, which requires risk evaluation, design, testing, and revision of procedures, as well as formal monitoring. Carefully designed internal controls can also

help management provide a reasonable level of assurance that proper reporting is occurring.

By implementing more stringent controls over the dispensing and use of District fuel, FFLSD can ensure that its fuel is used only for pupil transportation or other approved purposes. Without controls and oversight, the District cannot be sure that its scarce resources are not being diverted for other purposes.

**R5.5 The District should attempt to reduce its special needs transportation costs by implementing one or more of the following recommended practices:**

- **Actively promote the use of parent/guardian contracts.**
- **Revise its Individualized Education Plan (IEP) development process to consistently include the Transportation Director to help determine the most appropriate and cost-effective method for transporting special needs students. Other District representatives involved in the IEP conferences should be aware of the costs and constraints associated with providing transportation to students with special needs.**
- **Continue to consider reorganizing routes to mainstream students if possible and contracting with the parents or collaborating with other nearby school districts to transport special education students.**
- **Periodically solicit competitive bids for special needs transportation to determine whether it would be more cost effective to contract for transportation, while ensuring quality services and student safety.**

FFLSD's special education cost per pupil served is approximately \$9,657, which is approximately 82 percent higher than the peer average of \$5,320. In FY 2007-08, the District's annual special education miles traveled were 62,100, which was 117 percent higher than the FY 2008-09 miles of 28,620. The high number of miles traveled for special education in FY 2007-08 increased costs to a level that was higher than the peer average.

The District uses one special education bus (with a rated capacity of 15) to transport 7 students to a program in Marietta, and a van to transport 6 students to programs at Salem Liberty Elementary School or outside the District. The Transportation Director indicated that FFLSD mainstreams approximately three special education riders on regular routes.

FFLSD occasionally uses payment in lieu and parent contracts for special education students. It also offers parent guardian contracts. However, the District has not



considered contracting or collaborating with nearby districts to transport FFLSD special education students. Furthermore, the Transportation Director does not participate in IEP meetings.

Several options exist which can help a school district reduce its special education transportation costs. According to ODE, school districts can contract with parents or guardians to provide transportation of their special needs students under OAC 3301-83-19. School districts can also contract with another school to transport students by school bus service.

School Transportation News' *Memo Encourages IEP Dialogue with Transporters* (Office of Special Education Rehabilitative Services, 2008) recommends there be meaningful and effective communication between school district personnel and transportation providers about the transportation needs and potential problems of individuals with disabilities. Transportation staff should be fully informed, prior to providing services, of their responsibilities to adhere to the requirements of the IEP as well as the individual needs of the children they are transporting.

Also, according to *Best Practices – Special Education Transportation in Rural Areas* (Shasta County Office of Education Transportation Program, 2009), if there is not a county-wide transportation program for special education, districts should consider pooling their resources to use a common provider for all of the district's special education transportation needs. A representative from the Ohio Valley Educational Service Center (OVESC) noted, though, that OVESC does not provide centralized special education transportation services to member districts.

Implementing some or all of the recommended practices should help FFLSD reduce the number of students receiving specialized transportation and help it to reduce its costs. If the District reduced special education transportation costs per rider to \$5,324, which is comparable to the peer average of \$5,320, it could save \$65,000 annually. However, due to the various options available to the District and the unique needs of its special education students, financial savings cannot be quantified with certainty.

- R5.6 FFLSD should develop and implement a formal bus replacement plan that describes its strategy, including budgeting, for bus procurement in future years. Bus replacements should be based on economic modeling that helps the District replace its buses at the most economically advantageous point in their life cycle. The plan should include a periodic review of bus information, such as mileage and maintenance records, to determine the buses with the highest costs. By reviewing and updating the plan annually, the District will be able to effectively plan and budget for future bus purchases while properly maintaining its fleet.**

FFLSD does not have a bus replacement plan. According to the Transportation Director, the District would like to purchase two new buses per year, but this has not been possible because of limited funding. The District's buses have an average age of about 10 years and FFLSD uses the age and mileage of buses to determine which buses are to be replaced.

**Table 5-7** compares the District's FY 2007-08 maintenance and repair expenditures with the peer average.

**Table 5-7: Maintenance and Repair Historical Expenditures**

Cost Area	FFLSD FY 2005-06	FFLSD FY 2006-07	FFLSD FY 2007-08	Peer Average FY 2007-08
<b>Maintenance &amp; Repairs<sup>1</sup></b>	\$89,085	\$83,522	\$75,154	\$115,367
· Per Yellow Bus Rider	\$98	\$115	\$103	\$97
· Per Active Bus	\$5,240	\$4,640	\$4,175	\$6,189
· Per Routine Mile	\$0.24	\$0.25	\$0.23	\$0.42

**Source:** FFLSD and peer district T-1 and T-2 reports

<sup>1</sup> Includes mechanic and mechanic helper salaries

As shown in **Table 5-7**, FFLSD's total maintenance and repair expenditures were 32 percent lower than the peer average in FY 2007-08. Although FFLSD does track its cost of ownership, without a replacement plan, it may be unprepared for future capital obligations and risks and may devote additional resources to maintaining more costly buses as its fleet ages.

*School Bus Replacement Considerations* (NASDPTS, 2002) recommends that buses be considered for replacement after 250,000 miles and/or 12 to 15 years of service, as the annual operating costs of school buses begin to increase significantly thereafter. Establishing a school bus replacement policy is an important activity, since it directly impacts the timeliness of introducing the latest safety, efficiency and emissions improvements into the fleet. The elimination of school buses that do not meet the latest standards and requirements must be planned for within a realistic number of years. According to ODE, studies done on national fleets have shown that buses will typically start to accumulate higher cost repairs when they exceed 200,000 miles of operation.

*2007 Maintenance Survey Technician Wages Continue to Spiral Upward* (School Bus Fleet, April/May 2007) reported the average age of a school bus fleet as 8.4 years, and a large bus (over 30 passenger capacity) average retirement age as 14.6 years. Furthermore, *Bus Replacement – When is it Time to Invest in a Brand New Vehicle?* (SBO Quarterly, April 2009) notes that the average cost of a typical school bus in FY 2008-09 was approximately \$83,000. However, the cost of a typical school bus is expected to rise in subsequent years as vehicle suppliers comply with heightened

emission standards. Of course, if the District decides to purchase used buses, as it has in the past, the purchase cost per bus would be lower.

By adequately planning for bus replacement, FFLSD can incorporate future costs into its five-year forecast and, as funds are available, can set aside resources to replace the most costly vehicles in its fleet. A bus replacement plan can be implemented at no additional cost to the District.

**R5.7 FFLSD should reduce its spare bus fleet by two buses. This would result in a spare bus allocation that is more consistent with ODE's guidelines and the peer average. The District should annually review the ratio of spare buses to total fleet to ensure that it is making appropriate adjustments based on the changing conditions within its operations.**

The District currently maintains 6 spare buses and 14 active buses (FY 2008-09), which is a 43 percent ratio of spare to active buses. The peer average ratio of spare buses to total buses for FY 2007-08 was approximately 25 percent.

According to the ODE Office of Pupil Transportation, spare buses should comprise about 20 percent of a district's active fleet. The level of field trip use can increase the need for spare buses. If the ratio is higher, the district may need the buses for non-routine services provided. In FY 2007-08, FFLSD's non-routine miles as a percentage of total miles traveled were approximately 2 percent, compared to 9 percent for the peers.

The Transportation Director indicated that FFLSD does not have a goal for the number of spare buses it needs to maintain in its fleet. The District reportedly keeps the high number of spares because it receives minimal financial compensation for selling old buses. Reducing the size of the District's fleet would reduce the costs associated with vehicle insurance and routine maintenance on outdated, spare vehicles.

*Financial Implication:* If the District reduced two spare buses, it could realize about \$3,000 in one-time revenue by selling or trading in the spare buses.

## Financial Implications Summary

The following table is a summary of estimated annual costs and savings, as well as one-time costs and revenue enhancements. Only recommendations with quantifiable impacts are listed in the table.

### Summary of Financial Implications for Transportation Section

Recommendation	Annual Costs	One-Time Costs	One-Time Revenue
R5.1 Implement routing software	\$2,000	\$10,000	
R5.7 Sell two spare buses			\$3,000
<b>Total</b>	<b>\$2,000</b>	<b>\$10,000</b>	<b>\$3,000</b>

Source: AOS recommendations



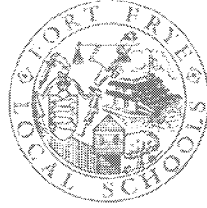
## **District Response**

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The letter that follows is Fort Frye Local School District's (FFLSD) 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 District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

# Fort Frye Local School District

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Beverly, Ohio

October 6, 2009

Auditor of State Mary Taylor  
Lausche Building, 12<sup>th</sup> Floor  
615 West Superior Avenue  
Cleveland, Ohio 4413

Dear Auditor Taylor:

The Fort Frye Local Schools Board of Education has received the results from the recent performance audit conducted by your office. Recommendations were made by your office in the following areas: financial services, food services, human resources, facilities, and transportation. We would like to inform you of the subsequent factors of this performance audit:

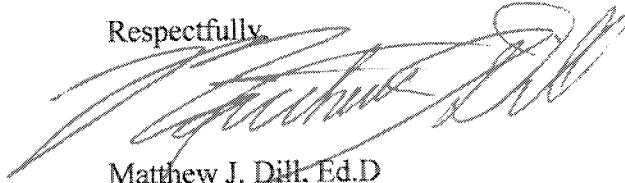
- 1) Personal Services and Benefits-The amounts for salaries and benefits are based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases have been used. Effective January 1, 2009, premiums for employee health insurance were reduced by approximately \$400,000 per year. For calendar year 2008, teachers and administration agreed to a new health insurance plan with higher deductibles and out-of-pocket expenses, plus higher prescription co-pays. Beginning January 1, 2009, the support staff agreed to a similar plan plus incentives to opt out of the group health plan. The combination of these factors permitted lower premium rates for 2009. This cost savings is reflected on our Five-Year Forecast and effectively eliminates the projected deficit balance for all years of the forecast.
- 2) Reduced Two ParaProfessional Aides hours from 3.5 to 3 hours
- 3) Eliminated Four Paraprofessional Aide positions
- 4) Reduced One Paraprofessional Aide's Hours by one hour per day
- 5) Reduced Three Educational Assistants hours from 6 hours to 4 hours per day
- 6) Outsourcing Food Services Management to Chartwells
- 7) Purchased and Implementing Transfinder Transportation Computer Routing Software
- 8) Applied for Federal ARRA Title I and IDEA Stimulus Funds

As a result of these recommendations, we have some concerns:

- 1) House Bill 1 implementation-As a result of the passage of House Bill 1, there are going to be additional unfunded expenses to our district. These concerns would also include the current educational budget cuts that are being discussed between Governor Strickland and State Superintendent Deb Delisle.
- 2) Transportation-In relationship to some of the recommendations about our facilities, our unique geography was not considered. By virtue of our geography, we are presented with transportation challenges.

Thank you for your help and assistance provided by your staff. The Fort Frye Local School District will benefit from this performance audit.

Respectfully,

A handwritten signature in black ink, appearing to read 'Matthew J. Dill', written over a faint, illegible background.

Matthew J. Dill, Ed.D  
Superintendent