



Mary Taylor, CPA
Auditor of State

NEWTON FALLS EXEMPTED VILLAGE
SCHOOL DISTRICT
PERFORMANCE AUDIT

APRIL 14, 2009



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To the Residents and Board of Education of the Newton Falls Exempted Village School District:

In accordance with House Bill 119, a performance audit was conducted in the Newton Falls Exempted Village School District. The functional areas assessed in the audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its educational mission, and because improvements in these areas can assist the District in improving its financial condition.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The audit also provides an independent assessment of the District's financial situation and a framework for improvement. While the recommendations contained in the audit report are resources intended to assist in improving operational efficiency and effectiveness, the District is encouraged to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology for the performance audit; and a summary of recommendations, noteworthy accomplishments, assessments not yielding recommendations, issues for further study and financial implications. This report has been provided to the District, and its contents discussed with the appropriate elected officials and 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. This performance audit is also accessible online through 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

April 14, 2009

Executive Summary

Project History

In accordance with Ohio House Bill 119, AOS conducted a performance audit of the Newton Falls Exempted Village School District (Newton Falls EVSD or the District). Based on a review of operational information and discussions with the District, the following functional areas were included in the performance audit:

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

District Overview

Newton Falls EVSD operates under a locally elected Board of Education (BOE) consisting of five members that is responsible for providing public education to the resident students. The District is located in Trumbull County and encompasses approximately 22 square miles. According to the 2000 Census, Newton Falls EVSD has a population of 9,353 residents. Ohio Department of Education (ODE) data reports District's median income of \$33,677 in FY 2007-08, compared to the State average of \$31,321.

Newton Falls EVSD operates three schools: one elementary school, one middle school, and one junior/senior high school. The District also operates a bus garage. In FY 2007-08, Newton Falls EVSD employed approximately 141 full-time equivalent (FTE) staff. According to ODE, the District's average daily student enrollment in FY 2006-07 was 1,431 which declined to 1,406 in FY 2007-08. Based on the FY 2007-08 ODE Local Report Card, Newton Falls EVSD met 21 of 30 performance standards and attained a designation of Excellent.

Newton Falls EVSD's October 2008 forecast projected deficit fund balances beginning in FY 2010-11 and reaching approximately \$2.3 million in FY 2012-13, without a renewal of a property tax levy. With the renewal of a tax levy, the forecast projects a deficit fund balance of approximately \$211,000 in FY 2011-12 and \$833,000 in FY 2012-2013.

Objectives

A performance audit is defined as an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. A performance audit provides 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 the performance audit was to assist the District in identifying strategies to reduce expenditures and, in turn, help eliminate future deficits. The major assessments conducted in this performance audit included the following:

- ***Financial Systems:*** includes an evaluation of Newton Falls' EVSD's five-year financial forecast, strategic and financial planning, fiscal policies, oversight and communication, measurement, and revenues and expenditures;
- ***Human Resources:*** includes an analysis of District-wide staffing and salary levels, collective bargaining agreements, benefit costs, sick leave use, employee communication, and Board policies;
- ***Facilities:*** includes assessments of custodial, maintenance, and grounds staffing levels, facility related expenditures, planning, and maintenance management system; and
- ***Transportation:*** includes evaluations of operating efficiency, overall security, policies and procedures, data reporting, maintenance and repairs, and planning.

The ensuing recommendations comprise options that Newton Falls EVSD can consider in an effort to help stabilize its financial condition.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was conducted between April and November 2008. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from Newton Falls EVSD, peer school districts, and other relevant sources. District data was tested and deemed reliable unless otherwise noted in the report sections; however, the performance audit did not include a formal

test of the Average Daily Membership (ADM) figures used in the financial systems and human resources sections, or the student headcounts reported in the transportation¹ section. Trend analyses suggest these data were reasonable and no further testing was deemed necessary. Peer school district data and other information used for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness and applicability.

AOS developed a composite of 10 selected districts, which was used for peer comparisons. The selected districts were Girard City (Trumbull County), Lowellville Local (Mahoning County), Columbiana Exempted Village, (Columbiana County), McDonald Local (Trumbull County), Wheelersburg Local (Scioto County), Dover City (Tuscarawas County), Heath Local (Licking County), Boardman Local (Mahoning County), Bath Local (Allen County), and Tiffin City (Seneca County). These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten school districts and Newton Falls EVSD, as urban with low median income and high poverty. Additionally, these ten school districts were meeting a high number of performance standards at a relatively low cost per pupil.

External organizations and sources were also used to provide comparative information and benchmarks. They included the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

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 affecting selected areas and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and, where warranted, they resulted in report modifications.

The Auditor of State and staff express their appreciation to Newton Falls EVSD for its cooperation and assistance throughout this audit.

¹ The number of riders reported on District buses was tested for reliability.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The District's discretionary spending levels qualify as a noteworthy accomplishment. Specifically, discretionary expenditures per student totaled approximately \$790 in FY 2005-06, \$731 in FY 2006-07 and \$749 in FY 2007-08. These amounts are significantly lower than the peer average of \$967 in FY 2006-07.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas which did not warrant changes and did not yield recommendations. The following summarizes these assessments.

- **Financial Systems:** five-year projections and the overall forecasting process;
- **Human Resources:** health insurance premium costs and workers compensation program;
and
- **Transportation:** overall security.

Recommendations

The following summarizes the recommendations in the performance audit.

Financial Systems

- Newton Falls EVSD should analyze and use **Table 2-4** to evaluate the effect of the recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid projected deficits. In addition, the Treasurer should update **Table 2-4** on an on-going basis to reflect changes, monitor revenues and expenditures, and review performance against projected figures.
- Newton Falls EVSD should develop a strategic plan that includes detailed measurable goals, objectives, benchmarks, timeframes, performance measures and, where applicable, cost estimates. In addition, the District should link the strategic plan to the budget and the five-year financial forecast.
- The Board should update its policy to identify the process used in developing the financial forecast and supporting materials for key assumptions, define the involvement of other District administrators, and provide deadlines for submission. In addition, the policy should require that the forecast document include schedules and explanatory comments to help support the assumptions used in deriving the projections, especially for the significant and sensitive assumptions.
- Newton Falls EVSD should expand the existing financial policies to be consistent with those recommended by *Best Practices in Public Budgeting* (GFOA, 2000), and tailor them to fit its operations.
- Newton Falls EVSD should create a business advisory council, determine whether to expand the role of the finance committee to include those of an audit committee or develop a separate audit committee, ensure the finance/audit committee is active, and include financial information on its web site. The District should also ensure the Board is appropriately involved in the investment process, which could be aided through the business advisory council or a finance/audit committee.
- The District should supplement its financial statements with a popular annual financial report (PAFR). As a long-term goal, the District should consider creating a comprehensive annual financial report (CAFR).

- Newton Falls EVSD should establish a performance measurement system that ties to the strategic plan to enable the District to objectively measure and communicate progress towards achieving its goals and objectives. A performance measurement system would also help the District objectively assess overall operations.

Human Resources

- Newton Falls EVSD should develop a formal staffing plan to address current and future staffing needs. This will help ensure the District proactively addresses its staffing needs, maintains efficient staffing levels, and complies with State and Federal requirements.
- Newton Falls EVSD should further review its regular education teacher and educational service personnel (ESP) staffing levels in the context of its financial condition and educational outcomes. This review can be facilitated by the development of a staffing plan. If the District does not implement the performance audit recommendations and other strategies to reduce costs, it should consider reducing regular teacher and ESP staffing levels. However, the District should weigh the decisions to reduce regular teacher and ESP staffing levels against the impact such reduction may have on the quality of education.
- Newton Falls EVSD should review its clerical staffing assignments and consolidate duties in an effort to eliminate at least one FTE. This reduction would be facilitated by implementing a substitute calling system (see **Issues for Further Study**).
- Newton Falls EVSD should consider negotiating an increase in the employee share of health insurance premiums for all employees to 15 percent for single coverage and 20 percent for family coverage, similar to the practice for classified employees hired after July 2003. Furthermore, the District should review its hours-threshold for providing paid benefits to staff, and consider increasing the threshold and/or requiring a higher contribution rate for part-time staff. In addition, Newton Falls EVSD should consider renegotiating to reduce the maximum sick days paid out at retirement as well as vacation accrual rates.
- Newton Falls EVSD should include prohibitions against “pattern abuse,” disciplinary actions for misusing or abusing sick leave, and the ability to request physician statements within a sick leave policy.
- Newton Falls EVSD should conduct annual employee surveys to measure employee job satisfaction and solicit input and feedback. In addition, Newton Falls EVSD should review its policies and update them as necessary, and publish the policies on its website to promote stakeholder awareness and involvement.

Facilities

- Newton Falls EVSD should consider reallocating one custodial position to the Maintenance Department. This would enable the Supervisor to dedicate more time to management functions. Furthermore, the District should ensure that the current assignment of FTEs is sufficient for effective maintenance of its grounds.
- The District should develop a formal facilities master plan and update it as conditions change. In developing the facilities master plan, the District should incorporate feedback from staff, students and other stakeholders.
- Newton Falls EVSD should consider purchasing a computerized maintenance management system (CMMS). In addition, the District should implement and track performance standards and measures to guide and help evaluate facility operations.

Transportation

- Newton Falls EVSD should negotiate to remove the language in the negotiated agreement specifying the District maintain minimum staffing levels and guaranteed minimum hours for bus drivers. The District should also consider purchasing routing software, based on a review of multiple systems, to help improve bus utilization, routing efficiency and overall management of transportation. In addition, the District should review the potential of implementing more cluster stops in areas that would not compromise student safety, with a maximum walking distance of one-half mile. This effort would be facilitated through the use of routing software. Furthermore, the District should require bus drivers to discuss potential changes to routes and stops with the Transportation Coordinator before making any changes. Taken collectively, these measures could help the District eliminate three active buses.
- The District should review its transportation practices to ensure that inconsistencies in the provision of services are warranted, and update its policy where necessary. In addition, the District should periodically review its transportation policy for potential updates and post the policy on its website to increase stakeholder access. Lastly, if necessitated by its financial condition, the District should review the option of adopting and maintaining transportation policies that are closer to State minimum requirements.
- Newton Falls EVSD should establish formal policies and procedures to ensure information for T-forms is collected, reviewed, and accurately reported to ODE. The Transportation Coordinator and Treasurer should verify that all transportation expenditures reported in the T-2 Report are consistent with the instructions and represent actual school bus operations.

- Newton Falls EVSD should charge non-routine costs incurred in the transportation of students back to users, when appropriate.
- Newton Falls EVSD should review its internal and external maintenance services to identify options for reducing costs. For example, assuming the District maintains the current level of contracted services, it should consider eliminating the mechanic helper position.
- Newton Falls EVSD should require staff to obtain multiple pricing quotes for goods and services. The District should also explore joint or cooperative purchasing agreements with other districts as well as soliciting bids for transportation contracts.
- Newton Falls EVSD should consider reducing its spare fleet by at least two buses. This would reduce the ratio of spare buses to total fleet to a level more consistent with the peer average, but still above ODE's benchmark.
- The District should establish and implement a formal bus replacement plan to ensure that it is properly planning and budgeting for bus procurement in future years. The plan should include criteria for bus replacement.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The following summarizes the issues for further study.

- **Human Resources:** substitute calling system and salaries for clerical and service workers;
- **Facilities:** gas costs; and
- **Transportation:** special needs transportation, fuel costs and clerical support.

Summary of Financial Implications

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

Summary of Financial Implications

Recommendation	Estimated Annual Cost Savings	Estimated Annual Costs
Not Subject to Negotiation		
R3.3 Reduce 1.0 FTE clerical staff	\$20,800	
R3.6 Develop and implement policies and procedures to help reduce sick leave use	\$25,800	
R4.3 Purchase a computerized maintenance management system		\$1,800
R5.1 Purchase routing software		\$3,200
R5.4 Eliminate the mechanic helper position	\$24,000	
R5.5 Eliminate two spare buses	\$1,300	
Subject to Negotiation		
R3.4 Increase the employee health insurance contribution to 15 percent for single and 20 percent for family	\$174,500	
R3.5 Reduce the maximum sick days paid out at retirement	\$22,000 ¹	
R5.1 Eliminate three buses and driver positions, in part by negotiating to eliminate minimum staffing requirements	\$60,500	
TOTAL	\$328,900	\$5,000

Source: AOS Recommendations

¹ This is the lowest estimate in **R3.5** to be conservative.

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Financial Systems

Background

This section focuses on financial systems in the Newton Falls Exempted Village School District (Newton Falls EVSD or the District), including an assessment of its five-year forecast. The executive summary of this performance audit includes the audit objectives used to guide the assessments in the financial systems section. Newton Falls EVSD's operations were assessed using comparisons to leading or recommended practices and standards from applicable sources, including the Government Finance Officers Association (GFOA) and selected peer school districts.¹

Financial Condition

Ohio Revised Code (ORC) § 3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC § 3316.03 also authorizes the Ohio Department of Education (ODE) to place a school district in fiscal caution if it identifies fiscal practices or budgetary conditions that if left uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the school board has 60 days to provide a written proposal to ODE that outlines a plan to correct the practices or conditions that led to the declaration.

According to guidelines, a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending fund balance less than or equal to two percent of current year projected revenue or a deficit greater than two percent in the next fiscal year. While Newton Falls has not yet been placed under a fiscal designation, **Table 2-1** shows the District is projected to experience some financial difficulty.

Newton Falls EVSD receives funding at the local level through a variety of voter-approved levies, including a 5.0 mill emergency operating levy that generates approximately \$600,000 per year for the General Fund. This levy expires in 2010, with collections through 2011. In addition, the District has a 3.3 mill building and maintenance levy that passed in May 2001 and a 0.50 mill bond issue that passed in May 2000. In total, property tax levies generate approximately \$2.6 million in local revenues for the General Fund. A proposed 3.0 mill permanent improvement levy failed in the spring of 2008. The District expects to place another levy on the ballot in May 2009. However, during the course of this audit, the levy amount had not yet been determined.

¹ See the **executive summary** for a list of peer districts and an explanation of the selection methodology.

Table 2-1 presents the five-year forecast submitted to ODE by Newton Falls EVSD in October 2008.

Table 2-1: Newton Falls Exempted Village School District (in 000's)

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12	Forecast 2012-13
Real Estate Property Tax	\$2,579	\$2,657	\$2,583	\$2,593	\$2,599	\$2,334	\$2,115	\$2,121
Tangible Personal Property Tax	\$347	\$322	\$216	\$133	\$84	\$60	\$41	\$42
Unrestricted Grants-in-Aid	\$6,553	\$6,556	\$6,758	\$7,202	\$7,381	\$7,616	\$7,821	\$8,024
Restricted Grants-in-Aid	\$106	\$106	\$104	\$105	\$108	\$110	\$112	\$114
Property Tax Allocation	\$365	\$452	\$469	\$459	\$467	\$465	\$411	\$339
Other Revenues	\$490	\$445	\$499	\$466	\$473	\$479	\$486	\$493
Total Operating Revenues	\$10,441	\$10,539	\$10,628	\$10,958	\$11,113	\$11,065	\$10,986	\$11,134
Salaries and Wages	\$5,852	\$5,942	\$5,916	\$5,946	\$6,141	\$6,340	\$6,546	\$6,759
Fringe Benefits	\$2,128	\$2,406	\$2,461	\$2,383	\$2,506	\$2,613	\$2,725	\$2,842
Purchased Services	\$1,234	\$1,433	\$1,372	\$1,931	\$1,930	\$2,005	\$2,084	\$2,166
Supplies, Materials and Textbooks	\$469	\$401	\$530	\$421	\$429	\$438	\$447	\$456
Capital Outlay	\$54	\$39	\$94	\$25	\$25	\$25	\$25	\$25
Other Expenditures	\$578	\$603	\$526	\$86	\$86	\$86	\$86	\$86
Total Operating Expenditures	\$10,314	\$10,824	\$10,898	\$10,791	\$11,115	\$11,507	\$11,913	\$12,334
Net Transfers/Advances	\$16	\$5	(\$8)	\$13	\$0	\$0	\$0	\$0
Other Financing Sources	\$0	\$0	\$0	(\$2)	\$0	\$0	\$0	\$0
Net Financing	\$16	\$5	(\$8)	\$15	\$0	\$0	\$0	\$0
Result of Operations (Net)	\$143	(\$280)	(\$278)	\$181	(\$2)	(\$442)	(\$927)	(\$1,200)
Beginning Cash Balance	\$486	\$641	\$388	\$249	\$426	\$424	(\$17)	(\$944)
Ending Cash Balance	\$641	\$388	\$249	\$426	\$424	(\$17)	(\$944)	(\$2,144)
Encumbrances	\$152	\$164	\$137	\$160	\$160	\$160	\$160	\$160
Ending Fund Balance	\$488	\$224	\$111	\$266	\$264	(\$177)	(\$1,104)	(\$2,304)
Renewal of Levy	\$0	\$0	\$0	\$0	\$0	\$316	\$578	\$578
Ending Fund Balance	\$488	\$224	\$111	\$266	\$264	\$138	(\$211)	(\$833)

Source: Newton Falls Exempted School District FY 2008-09 October Forecast.

Note: Totals may vary due to rounding.

Table 2-1 shows the District has experienced positive ending fund balances each of the last three fiscal years due to fund balance carryover. As also shown, expenditures exceeded revenues in FY 2006-07 and FY 2007-08, which is also projected to occur after FY 2008-09. As a result, negative ending fund balances are projected beginning in FY 2011-12.

At the start of the performance audit, the most recent forecast available for review was completed by an interim Treasurer that is no longer with the District. Because there were unanswerable questions regarding the forecast and its assumptions, AOS independently developed a five-year forecast for the District. The AOS forecast was developed based on

historical trends, economic conditions, and information provided by the District and other entities.

The forecast shown in **Table 2-1** was completed by the current Treasurer in October 2008 and was compared to the AOS forecast, which showed that the AOS forecast projected higher ending deficit fund balances. Specifically, the deficit ending fund balances in the AOS forecast are higher by an average of approximately \$495,000 per year, with the difference when compared to the District’s October 2008 forecast growing each year. This is mainly due to the District projecting lower expenditures. Salaries and wages, purchased services, and other expenditures were areas with the greatest variation. However, the overall difference between the Newton Falls EVSD forecast and the AOS forecast for expenditures are minimal, considering that the difference in total operating expenditures amounted to an average of only 2.6 percent per year. Consequently, coupled with the overall process used to develop the projections (see **Assessments Not Yielding Recommendations**), the Treasurer's projections appear reasonable. As such, AOS will use the District’s October 2008 forecast when developing a potential recovery plan (see **R2.5**).

Revenue and Expenditure Comparisons

Table 2-2 compares General Fund revenues by source and expenditures by object to the peer average. The data is shown on per student basis to account for differences in student population.

Table 2-2: Revenues by Source, Expenditures by Object

	Newton Falls EVSD FY 2006-07	Newton Falls EVSD FY 2007-08	Peer Average FY 2006-07	% Difference To Peer Average FY 2006-07
Property & Income Tax	\$1,739	\$1,633	\$3,748	(53.6%)
Intergovernmental	\$4,996	\$5,146	\$3,935	26.9%
Other Revenues	\$362	\$476	\$1,049	(65.5%)
Total Revenue	\$7,096	\$7,255	\$8,733	(18.7%)
Wages	\$4,123	\$4,099	\$4,579	(10.0%)
Fringe Benefits	\$1,714	\$1,755	\$1,642	4.4%
Purchased Service	\$726	\$696	\$1,002	(27.6%)
Supplies & Textbooks	\$191	\$275	\$263	(27.3%)
Capital Outlays	\$18	\$17	\$131	(86.2%)
Debt Service	\$0	\$0	\$72	(100.0%)
Miscellaneous	\$402	\$336	\$163	147.1%
Other Financing Uses	\$21	\$27	\$280	(92.4%)
Total Expenditures	\$7,195	\$7,205	\$8,131	(11.5%)

Source: Newton Falls EVSD and peer 4502 and SF-3 Reports

Note: Totals may vary due to rounding.

Table 2-2 shows that Newton Falls EVSD’s total revenues were lower than the peer average by \$1,637 per student in FY 2006-07, due to lower property and income tax and other revenues.

However, the District's intergovernmental revenues were higher than the peer average by \$1,061 per student. **Table 2-2** also shows that the District's total expenditures in FY 2006-07 were lower than the peer average by \$936 per student. All expenditure categories except fringe benefits and miscellaneous expenditures were lower than the peers. Specifically, in FY 2006-07, the District's fringe benefit expenditures per student were 4.4 percent higher than the peer average. This is attributable, in part, to requiring low employee contributions towards health insurance (see **human resources** section). In addition, miscellaneous expenditures per student were 147 percent higher than the peer average. In FY 2006-07, Newton Falls EVSD included payments to the Educational Services Center (ESC) of approximately \$500,000 in miscellaneous fees. According to the Treasurer, beginning in FY 2008-09, the District will account for ESC fees in purchased services. Assuming peers accounted for ESC fees in the purchased services line item and adjusting Newton Fall EVSD's ESC fees to purchased services, purchased services becomes \$83 per student higher than the peer average and miscellaneous expenditures becomes \$237 per student lower than the peer average. See the **transportation** section for a further assessment of purchased services. Lastly, **Table 2-2** shows that the District's total spending per pupil in FY 2007-08 was similar to FY 2006-07, with reductions in wages, purchased services, capital and miscellaneous.

Table 2-3 shows the amount per student and percent of total operating expenditures posted to the various Uniform School Accounting System (USAS) function codes for all governmental funds for Newton Falls EVSD and the peer average.

Table 2-3: Governmental Operating Expenditures by Function

USAS Function Classification	Newton Falls EVSD FY 2006-07		Newton Falls EVSD FY 2007-08		Peer Average FY 2006-07	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$5,042	59.5%	\$5,028	58.4%	\$5,435	60.8%
Regular Instruction	\$3,962	46.7%	\$3,973	46.1%	\$4,293	48.0%
Special Instruction	\$976	11.5%	\$959	11.1%	\$861	9.6%
Vocational Education	\$48	0.6%	\$80	0.9%	\$48	0.5%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$0	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$56	0.7%	\$17	0.2%	\$233	2.7%
Support Service Expenditures:	\$3,052	36.0%	\$3,159	36.7%	\$3,122	34.9%
Pupil Support Services	\$468	5.5%	\$442	5.1%	\$454	5.1%
Instructional Support Services	\$217	2.6%	\$244	2.8%	\$358	4.0%
Board of Education	\$129	1.5%	\$93	1.1%	\$36	0.4%
Administration	\$681	8.0%	\$686	8.0%	\$675	7.6%
Fiscal Services	\$245	2.9%	\$232	2.7%	\$270	3.0%
Business Services	\$0	0.0%	\$0	0.0%	\$6	0.1%
Plant Operation & Maintenance	\$712	8.4%	\$697	8.1%	\$906	10.2%
Pupil Transportation	\$449	5.3%	\$514	6.0%	\$361	4.0%
Central Support Services	\$151	1.8%	\$252	2.9%	\$55	0.6%
Non-Instructional Services Expenditures	\$97	1.1%	\$104	1.2%	\$54	0.6%
Extracurricular Activities Expenditures	\$289	3.4%	\$319	3.7%	\$333	3.7%
Total Governmental Fund Operational Expenditures	\$8,480	100.0%	\$8,611	100.0%	\$8,943	100.0%

Source: Newton Falls EVSD and peer 4502 and SF-3 Reports

Note: Totals may vary due to rounding.

As shown in **Table 2-3**, total governmental fund operating expenditures per student for FY 2006-07 and FY 2007-08 were lower than the peer average in FY 2006-07. Explanations for higher per student expenditures include the following:

- *Special Instruction* – The District spent \$115 more per student in special instruction when compared to the peer average. Although the District reduced special instruction costs per student in FY 2007-08, they are 11.5 percent higher than the peer average in FY 2006-07. The higher special instruction costs per student are due, in part, to the composition of the District's special education population. More specifically, the District employs 11.89 special education instructor FTEs. Based on the minimum staffing requirements in Ohio

Administrative Code, which are linked to classifications of special education students, it is estimated that the District should employ a minimum of 11.74 FTEs.

- *Pupil Support Services* – Although the District spent more per student in pupil support services in FY 2006-07, it reduced expenditures per student in FY 2007-08 to a level below the peer average in FY 2006-07.
- *Board of Education* – In FY 2006-07, the District spent \$93 more per student on Board of Education expenditures than the peer average, primarily due to security expenses incurred because of a strike threat. In addition, the District had legal fees related to a lawsuit. Although the expenses per student in FY 2007-08 are still higher than the peer average in FY 2006-07, the District reduced expenses per student by 27.9 percent from FY 2006-07 to FY 2007-08.
- *Pupil Transportation* – The District spent \$88 more per student on transportation than the peer average in FY 2006-07. In addition, transportation expenditures per student increased by 14.7 percent in FY 2007-08. See the **transportation** section for further assessment.
- *Central Support Services* – The District spent \$96 more per student on central support services than the peer average in FY 2006-07. Based on the District’s detailed financial reports, other central support services comprised approximately 55 percent of total central support service costs in FY 2006-07. Purchased services and costs related to the technical assistant make up the majority of other central support services. Additionally, salary and capital (equipment) expenses for career and technical education, and purchased service costs for the data processing network comprised approximately 33 percent of total central support costs in FY 2006-07. **Table 2-3** also shows that central support services per student increased significantly in FY 2007-08. This is primarily due to increases in the other central support service category, mainly for technology supplies and purchased services, as well as approximately \$58,700 in supply and material costs coded as “State Equity Teaching Aides.” See **Table 2-2** for a comparison of purchased services, capital, and supply expenditures in the General Fund, and the **human resources** section for an assessment of District-wide staffing and salary levels.
- *Non-Instructional Services Expenditures* – The District spent \$43 more per student on adult/continuing education than the peer average in FY 2006-07. This is due to postsecondary education expenditures.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, an assessment of the District's overall forecasting process did not yield a recommendation because in the development of the five-year forecast, Newton Falls EVSD's Treasurer generally meets the AICPA recommended practices. The forecast is prepared with assumptions; follows appropriate accounting procedures; uses the best information available at the time (and is updated when new information becomes available); identifies key factors in the assumptions; includes appropriate documentation; and is reviewed by the Board.

The District's forecasting process contributes to the development of a sound and reasonable forecast that was reviewed during the course of this performance audit (see discussion accompanying **Table 2-1**). The Treasurer's projections are reasonable based on historical trends, legislative requirements, third-party information, and current economic conditions. For example, health insurance expenditures comprise the largest portion of the benefits line item, at approximately 60 percent of total benefits in FY 2006-07. As a result, the Treasurer projects health insurance independent of the other benefits that are tied to salaries.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The District's discretionary spending levels qualify as a noteworthy accomplishment. Specifically, discretionary expenditures per student totaled approximately \$790 in FY 2005-06, \$731 in FY 2006-07 and \$749 in FY 2007-08. These amounts are significantly lower than the peer average of \$967 in FY 2006-07.

Recommendations

Strategic and Financial Planning and Policies

R2.1 Newton Falls EVSD should develop a strategic plan that includes detailed measurable goals, objectives, benchmarks, timeframes, performance measures and, where applicable, cost estimates. In addition, the District should link the strategic plan to the budget and the five-year financial forecast. The District should develop measurable objectives and regularly monitor progress toward attainment of the strategic plan goals. This approach will help focus budgetary decisions on outcomes and accomplishments of the stated goals and objectives. Finally, the strategic plan should be reviewed on a regular basis to determine the District's success in achieving the stated goals and objectives.

The District does not have a formal strategic plan. As a result, it increases the risk of not identifying or addressing critical needs. According to *Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005), all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan will establish logical links between spending amounts and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In developing the strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. Objectives should be expressed as quantities or 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.

R2.2 The Board should update its policy to identify the process used in developing the financial forecast and supporting materials for key assumptions, define the involvement of other District administrators, and provide deadlines for submission. In addition, the policy should require that the forecast document include schedules and explanatory comments to help support the assumptions used in deriving the projections, especially for the significant and sensitive assumptions. This would help the Board and public better understand the underlying elements which comprise the District's financial condition, and the Treasurer's methodology and assumptions.

Newton Falls EVSD does not have a fiscal planning policy specifically targeted to the development and maintenance of a five-year financial forecast. Rather, the qualifications and job duties for the Treasurer include a requirement that the Treasurer, with the Superintendent, prepare long-range financial projections for the Board. Although the qualifications and job duties require the development of a forecast, they do not convey

the process for preparing the forecast, the participation of other administrators, or the supporting materials required for developing significant assumptions.

In addition to preparing projections for the Board, the Ohio Revised Code (ORC) § 5705.391 and Ohio Administrative Code (O.A.C.) require the Board to submit a five-year projection of operational revenues and expenditures along with assumptions to the Ohio Department of Education (ODE) prior to October 31 each year and to update this forecast between April 1 and May 31 of each year.

The Guide for Prospective Financial Information (American Institute of Certified Public Accountants (AICPA), 2006) states that financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This AICPA publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- The process used to develop financial forecasts should provide adequate documentation of both the financial forecast and the process used to develop them. Documentation should also include recording the underlying assumptions as well as summarizing the supporting evidence for the assumptions. As a result of well-supported documentation, users can trace forecasted results back to the support for the basic underlying assumptions.
- The process used to develop financial forecasts should include, where appropriate, the regular comparison of the financial forecasts with the attained results. Comparing prospective financial results with actual fiscal numbers provides a historical measure of success and can be an indicator of the reliability of future forecasts.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at appropriate levels of authority. The responsible party should have access to the financial forecasts and supporting documentation in order to adequately review and approve the financial forecasts.

In its development of the five-year forecast, Newton Falls EVSD generally meets the AICPA guidelines. For instance, the forecast is prepared with assumptions that take into account historical data. However, while the current assumptions are more detailed than previous forecasts, in some cases they have not been fully updated .

R2.3 Newton Falls EVSD should expand the existing financial policies to be consistent with those recommended by *Best Practices in Public Budgeting* (GFOA, 2000), and tailor them to fit its operations. Once a comprehensive set of financial policies has been developed and adopted by the Board, the District should ensure that its financial and budgetary practices are consistent with these policies.

The District has financial policies developed by the Ohio School Board Association (OSBA) to guide decision-making. However, despite having some financial management policies, the District lacks the following policies recommended in *Best Practices in Public Budgeting* (GFOA, 2000):

- **Budget Stabilization Funds** – guide the creation, maintenance, and use of resources for financial stabilization purposes;
- **Fees and Charges** – identify the manner in which fees and charges are set and the extent to which they cover the cost of the services provided;
- **Debt Issuance and Management** – guides the issuance and management of debt;
- **Debt Level and Capacity** – quantifies the maximum amount of debt and debt service that should be outstanding at any one time;
- **Use of One Time Revenue** – limits the use of one time revenues for ongoing expenditures;
- **Use of Unpredictable Revenues** – identifies major revenue sources it considers unpredictable and defines how these revenues may be used;
- **Balancing the Operating Budget** – defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs;
- **Revenue Diversification** – encourages diversity of revenue sources; and
- **Contingency Planning** – guides the financial actions to take in the event of emergencies, natural disasters, or other unexpected events.

Adopting policies in the above areas could help Newton Falls EVSD better manage its limited resources and ensure consistency in financial practices. Such policies can also be used as a tool for financial decision-making.

Oversight, Communication and Measurement

R2.4 Newton Falls EVSD should create a business advisory council, determine whether to expand the role of the finance committee to include those of an audit committee or develop a separate audit committee, ensure the finance/audit committee is active, and include financial information on its web site. The District should also ensure the Board is appropriately involved in the investment process, which could be aided through the business advisory council or a finance/audit committee. In addition, the District should supplement its financial statements with a popular annual financial report (PAFR). As a long-term goal, the District should consider creating a comprehensive annual financial report (CAFR).

Finally, Newton Falls EVSD should establish a performance measurement system that ties to the strategic plan (see R2.1) to enable the District to objectively measure and communicate progress towards achieving its goals and objectives. A performance measurement system would also help the District objectively assess overall operations.

The District has formed a finance committee to better understand school finances and keep the Board and the public informed. However, the committee has met only one time in more than six months and has not reviewed past financial audits. In addition, the District does not have an audit committee and while it generates annual financial statements that comply with OAC § 117-2-03, it does not produce other GFOA recommended reports. Furthermore, the District has a policy for the formation of the business advisory council required by ORC 3313.174; however, one does not exist .

Along with the lack of committees noted above, the District does not have a performance measurement system that would enable it to communicate progress towards meeting its goals or to objectively evaluate its operations. In addition, the Treasurer noted the Board does not play an active role in investments, but does receive a monthly interest earned report. The District's investment policy stresses preservation of capital through low risk, diversification and liquidity. Finally, the District's web site does not include any financial information.

Recommended Practice: Audit Committees (GFOA, 2006), notes that an audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. GFOA recommends that the governing body of every state and local government establish an audit committee or its equivalent.

The Auditor of State's Best Practices (AOS, 2005) notes that the National Commission on Fraudulent Financial Reporting (NCFRR, also known as the Treadway Commission)

recommends the creation of an audit committee to enhance the credibility of an agency's financial reporting and strengthen its internal control structure. In general, the audit committee serves in an advisory role to the governing body. Through its activities, the audit committee helps to reduce fraudulent financial reporting and facilitate both internal and external audits. As part of its activities, the audit committee reviews the draft financial statements, notes to the statements, and, if applicable, any accompanying information, such as management's discussion and analysis. The audit committee typically works with management and internal and external audit staff to select accounting standards, discuss sensitive audit areas, and resolve disagreements between management and audit staff. In working with the independent auditors, the audit committee should be apprised of the occurrence of any of the following matters:

- Fraud and illegal acts;
- Deficiencies in internal controls;
- Auditor responsibility and expectations;
- Significant accounting policies and estimates;
- Significant audit adjustments;
- Disagreements with management and consultation with other accountants; and
- Difficulties encountered in performing the audit.

Recommended Practices: Government Accounting, Auditing, and Financial Reporting (GFOA, 2006) indicates that state and local governments should not be satisfied with issuing only basic financial statements required by Generally Accepted Accounting Principles (GAAP), but should instead publish a Comprehensive Annual Financial Report (CAFR). The CAFR would expand the reporting model to include information on Newton Falls EVSD's operating environment, explanations for past spending decisions and future commitments, as well as budgetary statements and statistical information. Likewise, *Recommended Practices: Preparing Popular Reports* (GFOA, 2001) encourages governments to supplement their annual financial reports with simpler, "popular" annual financial reports (PAFR) designed to assist those who need a less detailed overview of a government's financial activities. According to GFOA, the PAFR supplements the GAAP basis financial statements and is used to describe a government entity's operations in a consolidated, aggregated or condensed format. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends.

According to *Implementing Performance Measurement in Government: Illustrations and Resources* (GFOA, 1997), performance measurement systems provide accountability to the citizenry by identifying results and evaluating past resource decisions. Furthermore, performance measurement facilitates future decision-making regarding resource allocation and service-delivery options. Many state and local governments use and report at least some concrete measures of performance. Although the measures need continual

development and refinement and few governments have fully integrated the data into their core processes, performance measurement can provide an excellent focus for identifying problems and effecting program and service improvements.

Lastly, according to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government should publish its budget documents and annual financial reports directly on the web site. Furthermore, GFOA notes that a government effectively using its web site can realize a number of benefits, including increased public awareness, increased public usage of the information, availability of information for use in public analysis, and possible avoidance of disclosure redundancy. The Westerville City School District's (Westerville CSD) web site provides stakeholders with several key information sources pertaining to the District's operations, such as the tax budget; five-year forecast; financial reports; property tax, millage, and valuation information; comprehensive continuous improvement plan (CCIP); local report card; and facility rental forms.

Financial Recovery Plan

R2.5 Newton Falls EVSD should analyze and use Table 2-4 to evaluate the effect of the recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid projected deficits. In addition, the Treasurer should update Table 2-4 on an on-going basis to reflect changes, monitor revenues and expenditures, and review performance against projected figures.

Table 2-4 presents the Treasurer's October 2008 forecast along with the cumulative effect of the performance audit recommendations.

Table 2-4: Newton Falls EVSD Financial Recovery Plan (in 000's)

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12	Forecast 2012-13
Real Estate Property Tax	\$2,579	\$2,657	\$2,583	\$2,593	\$2,599	\$2,334	\$2,115	\$2,121
Tangible Personal Property	\$347	\$322	\$216	\$133	\$84	\$60	\$41	\$42
Unrestricted Grants-in-Aid	\$6,553	\$6,556	\$6,758	\$7,202	\$7,381	\$7,616	\$7,821	\$8,024
Restricted Grants-in-Aid	\$106	\$106	\$104	\$105	\$108	\$110	\$112	\$114
Property Tax Allocation	\$365	\$452	\$469	\$459	\$467	\$465	\$411	\$339
Other Revenues	\$490	\$445	\$499	\$466	\$473	\$479	\$486	\$493
Total Operating Revenues	\$10,441	\$10,539	\$10,628	\$10,958	\$11,113	\$11,065	\$10,986	\$11,134
Salaries and Wages	\$5,852	\$5,942	\$5,916	\$5,946	\$6,141	\$6,340	\$6,546	\$6,759
Fringe Benefits	\$2,128	\$2,406	\$2,461	\$2,383	\$2,506	\$2,613	\$2,725	\$2,842
Purchased Services	\$1,234	\$1,433	\$1,372	\$1,931	\$1,930	\$2,005	\$2,084	\$2,166
Supplies, Materials and Textbooks	\$469	\$401	\$530	\$421	\$429	\$438	\$447	\$456
Capital Outlay	\$54	\$39	\$94	\$25	\$25	\$25	\$25	\$25
Other Expenditures	\$578	\$603	\$526	\$86	\$86	\$86	\$86	\$86
Total Operating Expenditures	\$10,314	\$10,824	\$10,898	\$10,791	\$11,115	\$11,507	\$11,913	\$12,334
Net Transfers/Advances	\$16	\$5	(\$8)	\$13	\$0	\$0	\$0	\$0
Other Financing Sources	\$0	\$0	\$0	(\$2)	\$0	\$0	\$0	\$0
Net Financing	\$16	\$5	(\$8)	\$15	\$0	\$0	\$0	\$0
Result of Operations (Net)	\$143	(\$280)	(\$278)	\$181	(\$2)	(\$442)	(\$927)	(\$1,200)
Beginning Cash Balance	\$486	\$641	\$388	\$249	\$426	\$424	(\$17)	(\$944)
Ending Cash Balance	\$641	\$388	\$249	\$426	\$424	(\$17)	(\$944)	(\$2,144)
Encumbrances	\$152	\$164	\$137	\$160	\$160	\$160	\$160	\$160
Ending Fund Balance	\$488	\$224	\$111	\$266	\$264	(\$177)	(\$1,104)	(\$2,304)
Renewal of Levy	\$0	\$0	\$0	\$0	\$0	\$316	\$578	\$578
Ending Fund Balance	\$488	\$224	\$111	\$266	\$264	\$138	(\$211)	(\$833)
Cumulative Impact of Performance Audit Recs.	N/A	N/A	N/A	N/A	\$324	\$659	\$1,006	\$1,364
Revised Ending Fund Balance	N/A	N/A	N/A	N/A	\$588	\$797	\$795	\$531

Source: Newton Falls EVSD October 2008 Forecast and AOS Recommendations

Note: The performance audit recommendations are increased each year based on the Treasurer's assumptions or inflation.

As shown in **Table 2-4**, the District could eliminate the deficits in FY 2011-12 and FY 2012-13 by implementing the performance audit recommendations. The forecasted ending balances in **Table 2-4** depend, in part, on the attainment of Newton Falls EVSD's projections and renewal of the levy. Therefore, monitoring the attainment of the projections and updating the forecast as necessary will ensure the District bases future decisions on the most current information. Lastly, the projected ending balances in **Table 2-4** will partially depend on timing related to implementation of the performance audit recommendations. **Table 2-4** does not reflect the impact of the performance audit recommendations until FY 2009-10.

Human Resources

Background

This section of the performance audit focuses on Newton Falls Exempted Village School District's (Newton Falls EVSD or the District) human resource operations. The executive summary of this performance audit includes the audit objectives for the human resources section. Operations were assessed by comparing them to leading or recommended practices, industry benchmarks, and an average of ten peer school districts¹. Various sources provide leading or recommended practices and industry standards, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Administrative Services (DAS), the State Employment Relations Board (SERB), and the Kaiser Family Foundation 2007 National Survey.

Organizational Structure and Function

Newton Falls EVSD does not have a separate department dedicated to human resource functions. Rather, the Superintendent, Administrative Secretary, Treasurer's Office, and EMIS coordinators complete the majority of human resource functions. The Treasurer helps negotiate and administer the collective bargaining agreements; manages the workers' compensation program; conducts payroll functions; monitors the budget; and administers the District's employee benefit programs. The Superintendent oversees the activities used to recruit, select, and evaluate employees; helps negotiate and administer the collective bargaining agreements; and monitors compliance with minimum employment standards. EMIS coordinators ensure all students and staff are correctly reported to ODE, maintain employee benefit records, and assist the Treasurer with payroll. The Administrative Secretary maintains personnel files; compiles information for all State and Federal reports; and prepares and maintains Board policy books, job descriptions, and employee contracts.

Staffing

Table 3-1 compares the District's full-time equivalent (FTE) employees per 1,000 students based on average daily membership (ADM) to the peer average.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 3-1: Staffing Comparison (FTEs per 1,000 students)

	Newton Falls EVSD FY 2007-08		Peer Average FY 2006-07		Differences FY 2007-08	
	FTE	Per 1,000 Students	FTE	Per 1,000 Students	FTE	Per 1,000 Students
Administrative	6.40	4.56	11.32	6.00	(4.92)	(1.44)
Educational	83.66	59.57	124.86	65.77	(41.20)	(6.20)
Professional	1.42	1.01	3.63	1.61	(2.21)	(0.60)
Technical	2.38	1.69	5.82	2.60	(3.44)	(0.91)
Clerical	10.56	7.52	18.25	8.67	(7.69)	(1.15)
Crafts & Trades	3.00	2.14	2.62	1.12	0.38	1.02
Custodians/ Groundskeepers	9.00	6.41	13.10	6.28	(4.10)	0.13
Bus Drivers	11.00	7.83	13.51	6.22	(2.51)	1.61
Food Service Workers	7.23	5.15	11.96	5.46	(4.73)	(0.31)
All Other Reported	6.69	4.76	8.48	3.69	(1.79)	1.07
Total	141.34	100.64	213.55	107.42	(72.21)	(6.78)

Source: ODE EMIS reports for FY 2006-07 and FY 2007-08

Table 3-1 shows that Newton Falls EVSD employs fewer total FTEs per 1,000 students than the peer average. However, the District employs more FTEs per 1,000 students in crafts and trade (see **transportation** section for assessment of mechanic staffing), custodians (see **facilities** section), bus drivers (see **transportation** section), and all other reported. The all other reported category includes 6.69 attendant FTEs. The District’s EMIS reports indicate that these attendants serve handicapped students. The District does not employ teaching aides. In contrast, the peers employ an average of 2.79 teaching aide FTEs per 1,000 students. This exceeds the variance in the District employing 1.07 more FTEs in the all other reported category. Lastly, although the District employs fewer FTEs per 1,000 students in the clerical category, it employs more FTEs per 1,000 students when excluding teaching aides from this category for the peers (see **R3.3**).

Salaries

Table 3-2 compares average salaries by EMIS classification in FY 2006-07 and FY 2007-08 to the peer average in FY 2006-07.

Table 3-2: Average Salaries

	Newton Falls EVSD FY 2006-07	Newton Falls EVSD FY 2007-08	Peer Average FY 2006-07	Percent Difference to FY06-07	Percent Difference to FY07-08
Administrators	\$68,174	\$70,641	\$66,958	1.8%	5.5%
Educational Staff	\$51,002	\$50,631	\$48,745	4.6%	3.9%
Professional Staff	\$42,830	\$44,372	\$42,980	(0.3%)	3.2%
Technical Staff	\$13,432	\$13,801	\$16,041	(16.3%)	(14.0%)
Office/Clerical	\$28,771	\$28,575	\$23,894	20.4%	19.6%
Maintenance	\$29,755	\$23,679	\$35,858	(17.0%)	(34.0%)
Operative	\$13,834	\$13,954	\$16,954	(18.4%)	(17.7%)
Service Worker	\$22,276	\$22,633	\$19,605	13.6%	15.4%
Total Average Salary	\$41,603	\$41,239	\$40,693	2.2%	1.3%

Source: Newton Falls EVSD and Peer EMIS Reports FY 2006-07 and FY 2007-08

As shown in **Table 3-2**, the District's average salaries in FY 2006-07 are higher than the peer average in the administrative, educational, office/clerical, and service worker classifications. However, when comparing administrative salaries by specific classification, the District's average salary in FY 2006-07 was higher only in the coordinator classification, which represents only 0.4 FTEs. In addition, the higher average salary in the educational category results from the District employing a more tenured staff. Specifically, ODE reports that 79.5 percent of District classroom teachers had 10 or more years of experience in FY 2006-07, which is higher than each peer and the peer average (64.6 percent). See **Issues for Further Study** for additional discussion of the clerical and service workers' average salaries.

Table 3-2 also shows that average salaries for technical, maintenance, and operative are lower than the peer averages in FY 2006-07 and FY 2007-08. Furthermore, the District's total average salary in FY 2007-08 is only 1.3 percent higher than the peer average in FY 2006-07, and its average salary declined from FY 2006-07 to FY 2007-08.

Negotiated Agreements

The following collective bargaining agreements cover the District's certificated and classified personnel:

- **Newton Falls EVSD Classroom Teachers Association Agreement:** (Certificated contract) covers certificated employees from July 1, 2006 through June 30, 2008. Negotiations are in process.
- **Newton Falls EVSD Association of Classified Employees, OEA/NEA:** (Classified contract) covers most clerical and classified employees from July 1, 2006 through June 30, 2008. Negotiations are in process.

During the latter portion of this performance audit, the Superintendent indicated the District and OEA/NEA negotiated a new two-year agreement. The certificated bargaining unit will meet in binding arbitration in January 2009 on the issue of salary and benefits.

The performance audit assesses certain contractual and employment issues and compares those issues to Ohio law and industry benchmarks (see **R3.5**).

Assessments Not Yielding Recommendations

In addition to the analyses in this report, the following assessments did not yield a recommendation:

- **Health Insurance Premium Costs:** The District's single and family premiums for the current PPO plans are comparable to data published by OEA, SERB and Kaiser². Additionally, the premium for the District's PPO plan #2, which is mandatory for all new hires, is lower than all benchmarks. While Newton Falls EVSD's dental and vision premiums are higher than the OEA and SERB benchmarks, the total combined premiums for health, dental and vision are lower than SERB's lowest benchmark. The combined premiums are also lower than the OEA benchmark, with the exception of OEA's single plan rate. Moreover, the combined premiums under the new PPO plan are lower than the lowest benchmarks for both SERB and OEA.
- **Workers Compensation:** Since 2006, the District has participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping with other participants. Group rating and experience rating are incentive programs designed to promote and reward safe working conditions. The employer with a better-than-average safety record (compared with expected losses) receives a credit against the base premium rate. The District's claim costs and experience modifier decreased each year from 2005 through 2007.

² SERB and Kaiser published data was adjusted for inflation to provide a reliable comparison to Field LSD's premiums.

Issues for Further Study

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

- **Substitute Calling System:** The Superintendent and the payroll clerk have appropriate internal controls in place regarding the placement of substitute teachers. However, the District contracts with an employee, at \$2,000 per year, to handle emergency substitute call-ins between 3:30 pm to 11:00 pm. Building secretaries secure all other substitutes during normal working hours. The District should determine the amount of time each secretary spends on calling substitutes and explore the use of an automated system to reduce secretarial duties, which would facilitate reductions in clerical staffing levels (see R3.3).
- **Salaries for Clerical and Service Workers:** As noted in **Table 5-2**, the District's average salaries are higher in the office/clerical and service worker categories. The District codes all clerical staff in the 502 EMIS classification. When only comparing average salaries in the 502 classification to the peer average in FY 2006-07, the District's average salary is 8.3 percent higher in FY 2006-07 and 7.5 percent higher in FY 2007-08. The higher average salary in the service worker category is due to food service workers. Specifically, the District's average salary for food service workers was 43.2 percent higher in FY 2006-07 and 46.0 percent higher in FY 2007-08, when compared to the peer average in FY 2006-07. Because overall, the District's average salaries appear reasonable and the Food Service Fund maintained a positive ending balance in FY 2007-08, the performance audit did not further review potential causes of the higher average salaries for clerical and food service workers. The District should consider reviewing the higher average salaries in these categories.

Recommendations

Staffing

- R3.1 Newton Falls EVSD should develop a formal staffing plan to address current and future staffing needs. Specifically, the District should consider establishing staffing allocations for administrative, certificated, and classified personnel, based on objective workload measures, and current and future enrollment. This will help ensure the District proactively addresses its staffing needs, maintains efficient staffing levels, and complies with State and Federal requirements. Lastly, the plan should illustrate how staffing and related costs affect the District's financial condition.**

Newton Falls EVSD does not have a complete staffing plan, although the Superintendent prepares a teacher schedule in the winter for the next school year. In contrast, Tulsa Public Schools (TPS) established a staffing plan that outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. The instructional and administrative allocations are based on student enrollment or student caseload for special education. Custodial staffing levels are based on a calculation that considers the number of teachers, students, rooms, and the total area of the buildings. Food service allocations are based on a minimum target meals per labor hour calculation established by the district. In this plan, TPS also benchmarks staffing based on general fund revenues to help maintain a focus on a balanced budget when considering school staff levels. The District uses the plan as a guide to determine staffing levels on an annual basis, as well as mid-year.

Without a complete staffing plan, the District increases the risk of maintaining inefficient staffing levels and not complying with laws and regulations.

- R3.2 Newton Falls EVSD should further review its regular education teacher and ESP staffing levels in the context of its financial condition and educational outcomes. This review can be facilitated by the development of a staffing plan (see R3.1). If the District does not implement the performance audit recommendations and other strategies to reduce costs, it should consider reducing regular teacher and educational service personnel (ESP) staffing levels. However, the District should weigh the decisions to reduce regular teacher and ESP staffing levels against the impact such reduction may have on the quality of education.**

The ratios of regular students per regular education teacher (20.5) and total students per regular education teacher (24.0) in FY 2007-08 were higher than the respective peer averages in FY 2006-07 (18.6 and 21.3). In addition, the District employs 7.9 full-time

educational service personnel (ESP) FTEs per 1,000 regular students and 6.9 ESP FTEs per 1,000 total students, which are lower than the respective peer averages in FY 2006-07 (9.0 and 7.9). While the District employs fewer regular education teachers ESP staff per 1,000 students when compared to the respective peer averages, its staffing in these areas is higher than the respective State minimum requirements.

According to Ohio Administrative Code 3301-35-05, Newton Falls EVSD is required to employ at least one FTE classroom teacher for every 25 regular education students 25:1) on a district-wide basis. Based on FY 2007-08 staffing, the District could eliminate approximately 10 FTE regular education teacher positions and still comply with State minimum requirements.

The Ohio Administrative Code (OAC) § 3301-35-05(A)(4) requires school districts to employ a minimum of 5 educational service personnel for every 1,000 students in the regular student population. The code states that ESP positions include art, music, and physical education teachers; counselors; registered nurses; social workers; and library/media specialists. Based on the OAC requirements and the District’s regular education enrollment in FY 2007-08, the District is required to employ a minimum of 6.1 FTE ESP employees. The District currently employs 9.7 ESP employees, or 3.6 more FTEs than is required by the OAC.

R3.3 Newton Falls EVSD should review its clerical staffing assignments and consolidate duties in an effort to eliminate at least one FTE. This reduction would be facilitated by implementing a substitute calling system (see Issues for Further Study).

Table 3-3 compares the District’s clerical staffing levels with the peer average.

Table 3-3: Clerical Staffing Levels

	Newton Falls EVSD FY 2007-08	Peer Average FY 2006-07	Difference
Total Clerical Staff	10.6	11.7	(1.1)
Clerical Staff per 1,000 Students	7.5	5.8	1.7
Clerical Staff per School Building	3.5	2.6	0.9
Employees per Clerical Staff	12.3	18.5	(6.2)

Source: EMIS

Table 3-3 shows that Newton Falls EVSD employs more clerical staff per 1,000 students and per building, when compared to the peer averages. Likewise, Newton Falls EVSD employs more clerical staff based on the number of District employees. As a result the ratio of 12.3 employees per clerical FTE is 33 percent lower than the peer average of 18.5. The District would need to eliminate 3.6 FTEs to achieve the peer average number of employees per clerical staff, 2.8 FTEs to achieve the peer average number of

employees per building, or 2.4 FTEs to achieve the peer average number of clerical staff per 1,000 students.

The District included its Transportation Coordinator in EMIS clerical classification, rather than in the administrative classification. When including the Transportation Coordinator in the administrative classification based on the related job duties (see page 1 of the **transportation** section), Newton Falls EVSD still employs fewer administrators per 1,000 students than the peer average. After excluding the Transportation Coordinator, the District would need to eliminate 1.4 FTEs to achieve the peer average of clerical staff per 1,000 students.

Financial Implication: Eliminating one clerical FTE would result in savings of approximately \$20,800 annually in salaries and benefits. The savings estimate is based on the lowest compensated clerical position.

Benefits

R3.4 Newton Falls EVSD should consider negotiating an increase in the employee share of health insurance premiums for all employees to 15 percent for single coverage and 20 percent for family coverage, similar to the practice for classified employees hired after July 2003. In addition to reducing benefit costs, this would require the same level of contribution for all staff. Furthermore, the District should review its hour threshold for providing paid benefits to staff, and consider increasing the threshold and/or requiring a higher contribution rate for part-time staff.

Newton Falls EVSD offers medical, prescription, dental, vision, and life insurance coverage to employees who work more than 25 hours per week through its membership in the Trumbull County Schools Consortium. However, the classified collective bargaining agreement indicates that employees hired on or before July 31, 2003, need to work only a minimum of 20 hours per week to qualify for Board-paid benefits. Currently, all employees are enrolled in the Preferred Provider Organization (PPO) plan #1; however, employees hired after July 1, 2008 are limited to enrolling only in PPO plan #2.

While the District's health care costs compare favorably to relevant benchmarks (see **Assessments Not Yielding Recommendations**), employees hired before July 1, 2003 contribute significantly less toward the monthly premiums than the benchmarks. Specifically, employees hired before July 1, 2003 contribute only approximately six percent toward the premium cost. By comparison, the 2007 SERB study reported a statewide average contribution rate of 12.3 percent for single coverage and 13.3 percent for family coverage, for employers that require employee contributions. The 2007 SERB study indicates that 73.5 and 74.9 percent of employers require employee contributions for single and family coverage, respectively. Furthermore, the Kaiser Family Foundation

reported single and family average contributions of 16 and 28 percent, respectively, in its 2007 study.

For classified employees hired after July 1, 2003, the District requires 15 and 20 percent contributions toward single and family premiums, respectively, in both PPO plans. However, the contributions for certificated staff are capped at approximately 6 to 8 percent, depending on plan type. In addition, providing paid benefits to part-time employees increases the District's costs. For example, **Table 5-2** in the **transportation** section shows that the District's benefit costs per rider, per mile and per bus are significantly higher than the respective peer averages. According to the District's EMIS demographics report, nine of the eleven bus drivers worked 4.75 hours per day in FY 2007-08, for a total of 23.75 hours per week. Seven of these nine bus drivers are enrolled in the District's health plan.

Financial Implication: If the District were to require a 15 percent contribution for single coverage and 20 percent for family coverage, it would save approximately \$174,500 per year. The District would achieve additional savings by increasing the hour threshold for providing paid benefits to staff and/or requiring a higher contribution rate for part-time staff. However, this can not be readily quantified because it will depend on the new hour threshold and/or how the contribution rates are ultimately structured for part-time staff.

R3.5 Newton Falls EVSD should consider negotiating to reduce the maximum sick days paid out at retirement as well as vacation accrual rates. Lower sick leave payouts would help limit the District's long-term liability, while lower vacation accrual rates would potentially increase productivity and reduce substitute and/or overtime costs.

A component of the performance audit compares certain provisions within the District's collective bargaining agreements to State requirements and leading or recommended practices. The following provisions appeared to be more generous than the benchmarks:

- **Sick Leave Paid Out at Retirement:** For certified employees, the maximum sick leave payout at retirement is 55 days in addition to up to 10 days of unused personal days for total severance pay of 65 days. For classified employees, the maximum payout is 50 days. By comparison, ORC 124.39 requires a minimum sick leave payout of 30 days, but indicates that entities can adopt policies that allow for more than 30 days.
- **Vacation:** The District's vacation accrual rate is higher than ORC minimum requirements. For example, an employee with eight years of service receives 15 days of vacation per year at Newton Falls EVSD. In contrast, ORC §3318.084 does not require the District to grant 15 days per year until employees have reached ten years of service.

Financial Implication: If the District limited the sick leave payout at retirement to 42.5 days for certificated staff (half of the difference when compared to the minimum of 30 days), it would have saved approximately \$22,000 in FY 2006-07 and \$37,500 in FY 2007-08. In FY 2006-07 and FY 2007-08, the District’s classified employees did not exceed the 30-day accrual for sick leave (see **R3.6** for a discussion of sick leave use).

R3.6 Newton Falls EVSD should take steps to reduce the amount of sick leave used by its employees by developing a policy to ensure its proper use. The policy should include prohibitions against “pattern abuse,” disciplinary actions for misusing or abusing sick leave, and the ability to request physician statements. In addition, the District should consider the American Society for Public Administration’s (ASPA) suggestions for effectively monitoring sick leave abuse.

Table 3-4 compares Newton Falls EVSD’s average sick leave use to the State Council of Professional Educators, Ohio Education Association (SCOPE) and the American Federation of State, County, and Municipal Employees (AFSCME) averages reported by the Ohio Department of Administrative Services (DAS).

Table 3-4: Sick Leave Hours per Employee

	Newton Falls EVSD FY 2007-08	DAS Statewide Average FY 2005-06	Sick Leave Hours Over (Under)
Certificated	61.59	53.71 (SCOPE)	7.88
Classified	88.47	56.20 (AFSCME)	32.27

Source: Newton Falls EVSD and Ohio Department of Administrative Services (DAS)

Table 3-4 shows the District’s certificated and classified staff used more sick leave hours per employee than the respective DAS averages. The District’s higher rate of sick leave use can be partially attributed to a lack of measures for identifying and disciplining employees suspected of abuse. However, there is a provision in the OAPSE contract that allows the Superintendent to request a physician’s statement after an employee has been absent for five consecutive days. There is no Board policy that addresses leave use.

The SCOPE and AFSCME collective bargaining agreements with the State of Ohio contain provisions for disciplining employees for sick leave abuse. They also contain provisions for addressing pattern abuse, defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;

- Half days;
- Continued pattern of maintaining zero or near zero leave balances;
- Excessive absenteeism.

When substantiated unauthorized use or abuse of sick leave occurs, the SCOPE and AFSCME contracts indicate that the department head, or designee will effect corrective and progressive discipline, beginning with a corrective counseling session, and ultimately including steps up to and including termination. The SCOPE agreement also indicates that for absences exceeding seven consecutive calendar days, a physician's statement is routinely required that specifies the employee's inability to work and probable recovery date. The AFSCME agreement indicates that the employer may request that a physician's statement be submitted within a reasonable period of time.

According to the article: *Sick Leave Abuse: A Chronic Workplace Ill* (American Society for Public Administration, April 2002), determining if and why an employee exploits leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root cause of the problems helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively.

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

Financial Implication: If the District reduced sick leave use to a level consistent with the DAS averages, it would save approximately \$9,000 per year in teacher substitute costs and \$16,800 in classified savings based on a temporary staff hourly rate.

Employee Communications

R3.7 Newton Falls EVSD should conduct annual employee surveys to measure job satisfaction and solicit input and feedback. The survey should address relevant factors, such as work environment, quality of supervision, safety, District-wide support, and professional development.

Newton Falls EVSD does not conduct regular employee surveys. The District has a policy, “Staff Involvement in Decision Making,” that acknowledges the importance of employee input; however, there is not a process in place to routinely gather and analyze employee input. Instead, the administration receives employee grievances and ideas through an open door policy and informal conversations. Likewise, feedback regarding professional development and the teacher evaluation process is obtained through informal means.

According to *Soliciting Employee Feedback: Getting Results* (Society for Human Resource Management (SHRM), 2004), a company can only be as good as its employees. Therefore, it is important to get their feedback and respond to their needs, ideas and suggestions. Asking employees what they are thinking can result in higher retention rates, lower absenteeism, improved productivity, better customer service and better morale. Surveys are the most effective way to tap into the thoughts of the workplace and soliciting feedback should be a regular part of the HR function.

By conducting annual employee surveys, the District would better ensure that it measures and acknowledges employee satisfaction. This, in turn, would enable the District to obtain feedback and suggestions for improvements.

Board Policies

R3.8 Newton Falls EVSD should review its policies and update them as necessary. This effort could be aided by assigning a Board committee or District administrators to perform this function on a routine basis. Furthermore, the District should publish the policies on its website to promote stakeholder awareness and involvement.

The Board conducts regular business meetings and maintains minutes and voting records of issues brought to the floor. The District has policies, which direct the Board’s governance and operations. The District receives periodic policy updates from the Ohio School Board Association (OSBA), but does not alter the policies for their specific situation or update them on a routine basis. The Board has not assigned this responsibility to a committee and the District does not provide online access to Board policies through its web site.

Key Legal Issues for Schools (Rowman and Littlefield Education, in partnership with the Association of School Business Official International, 2006) states that policies should define goals and objectives, allow operational flexibility, reflect the board’s vision, define roles and responsibilities, and include measurable outcomes. The board usually relies on the administration for the enforcement and periodic evaluation of board policies. The board may adopt a policy requiring the superintendent to call attention to policies that are out-of-date or need revisions.

Making a Case for Local E-Government (Center for Technology in Government, University at Albany, SUNY, 2002) states that technology can improve the way the governments serves constituents by offering self-service access to information. *E-government: A Blessing to Citizen Involvement in Local Government?* (Kaifeng Yang, 2005) reports on a survey of 428 respondents, addressed to chief administrative offices of general purpose governments. Specifically, the report cites that only 12 percent of respondents reported “none” or “little” impact of e-government on citizen participation. About 53 percent reported “some” positive impact, and 19 percent reported “significant” impact. When it comes to the future, respondents have an even more positive view: only 5 percent reported “none” or “little” impact; 40 percent reported “some”; and 49 percent reported “significant.” The respondents who chose “significant” increase 30 percent.

Financial Implications Summary

The following tables present a summary of annual cost savings identified in this section of the report.

Table 3-5: Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings
R3.3 Reduce 1.0 FTE clerical staff	\$20,800
R3.6 Develop and implement policies and procedures to help reduce sick leave use	\$25,800
Total	\$46,600

Source: AOS Recommendations

Table 3-6: Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.4 Increase the employee health insurance contribution to 15 percent for singly and 20 percent for family	\$174,500
R3.5 Reduce the maximum sick days paid out at retirement	\$22,000 ¹
Total	\$196,500

Source: AOS Recommendations

¹ This is the lowest estimate in **R3.5** to be conservative.

Facilities

Background

This section of the performance audit focuses on facility operations in the Newton Falls Exempted Village School District (Newton Falls EVSD or the District). The **executive summary** of this report includes the audit objectives for the facilities section. Throughout this section, District operations are evaluated against an average of ten peer districts¹, leading or recommended practices, and operational standards. Sources of these standards and practices include the American Schools and University Magazine (AS&U) and the National Center for Education Statistics (NCES).

Staffing

Table 4-1 compares Newton Falls EVSD’s key statistics and indicators to the benchmarks from the National Center for Education Statistics (NCES) and the American Schools and Universities (AS&U) annual survey.

Table 4-1: Newton Falls EVSD’s Key Statistics and Indicators

Number of Buildings	3
Elementary Schools	1
Middle School	1
Junior/Senior High School	1
Total Square Feet Cleaned and Maintained	252,606
Total Acres Maintained	60
Square Feet per Custodial FTE	26,416
Planning Guide (NCES) Square Feet per Custodial FTE	29,500¹
Square Feet per Maintenance FTE	252,606
AS&U Five Year Average Median Square Footage per Maintenance FTE	92,000
Acres per Grounds FTE	65.44
AS&U Five Year Average Median Acres per FTE	42

Source: AS&U, NCES, and Newton Falls EVSD

¹ This represents the mid-point of the planning guide range of 28,000 to 31,000 square feet. Level 3 is the normal standard for most school facilities.

As shown in **Table 4-2**, the custodial staff cleans 26,416 square feet per FTE, which is 3,084 square feet less than the NCES benchmark. Conversely, the District is responsible for 252,606 square feet per maintenance FTE and 65.4 acres per grounds FTE, both of which are higher than the applicable AS&U five-year average medians. See **R4.1** for further discussion.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Financial Data

Table 4-2 compares Newton Falls EVSD's facility expenditures per square foot to the peer average for FY 2006-07.

Table 4-2: Newton Falls EVSD Expenditures per Square Foot

Object Code	Newton Falls FY 2006-07	Newton Falls FY 2007-08	Peer Average FY 2006-07	AS&U National Median FY 2007-08
Salaries/Benefits	\$1.90	\$1.93	\$2.42	\$2.05
Purchased Services	\$0.22	\$0.26	\$0.53	\$0.21
Utilities	\$1.31	\$1.31	\$1.30	\$1.52
• Electricity	\$0.55	\$0.66	\$0.61	N/A
• Water & Sewerage	\$0.10	\$0.06	\$0.11	N/A
• Gas	\$0.66	\$0.59	\$0.54	N/A
Materials and Supplies	\$0.13	\$0.23	\$0.36	\$0.38
Capital Outlay	\$0.00	\$0.01	\$0.11	N/A
Other	\$0.00	\$0.00	\$0.03	N/A
Total General Fund	\$3.56	\$3.74	\$4.63	\$4.56
All Funds Utilities	\$1.32	\$1.33	\$1.30	N/A
Total All Funds	\$3.94	\$3.76	\$5.14	\$4.56

Source: ODE, Newton Falls EVSD, AS&U

As shown in **Table 4-2**, the District all fund and General Fund expenditures per square foot in FY 2006-07 and FY 2007-08 were much lower than the respective peer averages and the AS&U national median. See **Issues for Further Study** for a discussion of gas costs.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not be directly related to the audit objective or may be issues that the auditors do not have time or resources to pursue. AOS has identified gas costs as an issue for further study. According to the Treasurer, Dominion Gas Search pays a royalty of \$500 to \$600 per month for gas extracted from the District's property. Additionally, the company supplies the District a portion of the gas extracted from its property. Therefore, the District purchases gas from an external supplier, rather than participating in a consortium. During October 2008, the District entered into a fixed-price contract for gas, which was only 1.5 percent higher than the price in 2007. The Treasurer stated the reason the District entered into a fixed-price contract was to eliminate the risks for budgeting purposes. While **Table 4-2** shows the District's natural gas expenditures per square foot were 21 percent higher than the peer average in FY 2006-07, they declined by approximately 11 percent in FY 2007-08. Nevertheless, the District should periodically review its risk level and pricing from consortiums to ensure it obtains competitive rates for gas. For example, Ohio's Natural Gas Purchasing Program,

administered by the Ohio Department of Administrative Services, is a consortium available to governments, including school districts. Likewise, the Ohio Schools Council (OSC) offers a natural gas program.

Recommendations

R4.1 Newton Falls EVSD should consider reallocating one custodial position to the Maintenance Department. This would alleviate the workload of the current Maintenance, Building and Grounds Supervisor. This, in turn, would enable the Supervisor to dedicate more time to management functions, such as maintaining an improved work order system (see R4.3), implementing performance standards and measures to guide facility operations (see R4.3), and developing a facility master plan (see R4.2). Furthermore, the District should ensure that the current assignment of FTEs is sufficient for effective maintenance of its grounds.

Table 4-3 compares the District’s facility staffing levels to the applicable benchmarks.

Table 4-3: Newton Falls EVSD’s Number of Positions and FTEs

Classification	Newton Falls EVSD Number of FTEs	Benchmarked Number of FTEs ¹	Difference
Custodial	9.6	8.6	1.0
Maintenance	1.0	2.8	(1.8)
Grounds	0.9 ²	1.6	(0.7)
Total	11.5	12.9	(1.4)

Source: Newton Falls EVSD

¹ This is based on the five-year average number of square feet per maintenance FTE and acres per grounds FTE from AS&U, and the mid-point range of 29,500 per custodian FTE from NCES.

² The District uses bus drivers to perform grounds duties.

Table 4-3 reveals that Newton Falls EVSD employs 1.4 fewer FTEs when compared to the benchmark data. However, the District has more custodial FTEs, and fewer maintenance and grounds FTEs. Currently, the Maintenance, Building and Grounds Supervisor is the only individual in the Maintenance Department. This prevents the District from completing key facility management functions, such as tracking and maintaining up-to-date records of facility work (see R4.3).

R4.2 The District should develop a formal facilities master plan and update it as conditions change. In developing the facilities master plan, the District should incorporate feedback from staff, students and other stakeholders. The plan should take into consideration the future configuration of buildings, future student demographics and long-term goals of the District.

Newton Falls EVSD does not have a facilities master plan or a capital improvement plan. According to *Creating a Successful Facility Master Plan* (DeJong & Staskiewicz, July 2001), a facility master plan should be developed through a combination of sound data and community involvement. The plan should be used as a road map to address needs and should use the desired educational program as its core. When used as a road map, the

facility master plan identifies projects, the timing and priority of these projects, and their estimated costs. Additionally, the plan should be created as a ten-year forecast, and changes to the plan should be made periodically to include improvements that have been completed, changes in the demographics and changes to the educational direction.

The Government Finance Officers Association (GFOA) states that a government should develop a capital improvement plan that identifies the priorities, period, and financing plan for the identified projects. This plan should project for five years, fully integrate the overall financial plan of the organization, and allow for stakeholder input. The capital improvement plan should be included in the budget document and should describe the operating and capital budget.

Because the District does not have a facility master plan, it increases the risk of failing to anticipate future trends that may occur and could lead to the inability to finance necessary repairs and renovations.

R4.3 Newton Falls EVSD should consider purchasing a computerized maintenance management system (CMMS). This would allow the District to automatically schedule and track preventive maintenance activities; prioritize multiple work requests; anticipate needed facility maintenance, equipment repairs and replacements; and track costs related to completing maintenance tasks (e.g., labor, supplies and materials). In addition, the District should implement and track performance standards and measures to guide and help evaluate facility operations.

The District's Maintenance, Buildings and Grounds Supervisor indicated the work order process is informal. Additionally, the Supervisor stated work order prioritization is a result of his professional judgment. For example, if a minor issue is observed, the individual who noticed the issue writes a work order and places it in the maintenance mailbox at the respective location. After the work is completed, the work order is discarded. When larger issues arise, the Supervisor is contacted directly and responds accordingly. Furthermore, the Supervisor does not maintain up-to-date records of facility work, which is partially due to current staffing levels (see **R4.1**). Likewise, according to the Supervisor, the District does not use performance standards or cost-efficiency measures to evaluate functions. The lack of up-to-date records and performance measures can inhibit the District's ability to effectively manage facility operations.

The District's current preventive maintenance plan (PM) is in paper form and was developed by Lawhorn and Associates. The PM plan identifies multiple areas ranging from floor plans to performance goals and implementation milestones. In addition, the PM plan provides various definitions and operational priorities.

According to the *Planning Guide of Maintaining School Facilities* (NCES, February 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that a work order has been addressed, and track the cost of parts and labor. A work order system can be a manual, paper-based, tracking tool. More efficient work order systems come in the form of computerized maintenance management systems (CMMS). Their purpose is to manage work requests as efficiently as possible and meet the basic information needs of the District. In terms of utility, a good CMMS program will:

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

The Planning Guide also suggests when evaluating facilities, districts must collect and maintain accurate, timely, and comprehensive data. Good decision making requires good data and documentation. Collecting the data requires effort, but it is a necessary task. According to *the Planning Guide*, such data could include: annual snapshots (e.g., cost per square foot or per student), the number of work orders completed, customer feedback, benchmark performance, comparisons with peers, and trend analysis. *The Planning Guide* further recommends that to assess staff productivity, organizations must establish performance standards and evaluation criteria (e.g., amount of floor space cleaned and facility cleanliness).

Financial Implication: Based on one vendor's information, the cost for a CMMS would be approximately \$1,800 per year.

Financial Implications Summary

The following table lists annual implementation costs for recommendations contained in this section of the report.

Summary of Financial Implications

Recommendation	Estimated Annual Implementation Costs
R4.3 Consider purchasing a computerized maintenance management system (CMMS)	\$1,800
Total	\$1,800

Transportation

Background

This section of the performance audit focuses on Newton Falls Exempted Village School District's (Newton Falls EVSD or the District) transportation operations. The **executive summary** includes the audit objectives used to guide the assessments in the transportation section. The operations were measured against leading or recommended practices, operational standards, and selected peer school districts¹. Leading or recommended practices and operational standards were drawn from various sources, including the American Association of School Administrators (AASA) and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. In practice, Newton Falls EVSD transportation services exceed State minimum requirements. See **R5.1** for more information.

Newton Falls EVSD transported 951 riders in FY 2006-07 and 931 riders in FY 2007-08 on 11 active buses in both years. The Transportation Coordinator, under the direction of the Superintendent, manages the District's transportation function. Transportation duties include establishing bus routes, preparing transportation reports (e.g., T-forms), purchasing necessary parts, arranging for substitute drivers when necessary, and ensuring the safe delivery of transportation services.

Operational Statistics and Cost Comparisons

Table 5-1 compares various key statistics and operating ratios for FY 2006-07 and FY 2007-08 to the peer average for FY 2006-07.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 5-1: Key Statistics and Operating Ratios

Key Statistics	Newton Falls EVSD FY 2007-08	Newton Falls EVSD FY 2006-07	Peer Average FY 2006-07	% Difference vs. Peer Average for FY 2006-07 ¹
Square Miles	22.0	22.0	20.5	7.3%
ODE Enrollment	1,513.0	1,510.0	1,997.8	(24.4%)
Total Students Transported -All Types	932.0	952.0	1,326.8	(28.2%)
Yellow Bus Riders (Type I)				
Public	896.0	865.0	1,202.2	(28.0%)
Non-Public	35.0	86.0	74.8	(15.0%)
Community School	0	0	0.7	(100%)
Special Needs	0	0	19.1	(100%)
Total Bus Riders (Type I)	931.0	951.0	1,296.8	(26.7%)
Buses (Type I)				
Active Buses	11.0	11.0	15.6	(29.5%)
Spare Buses	6.0	7.0	4.3	62.8%
Miles (Type I)				
Annual Routine Miles	130,140.0	134,100.0	155,988.0	(14%)
Annual Non-routine miles	11,884.0	10,827.0	26,307.0	(58.8%)
Total Miles	142,024.0	144,927.0	182,295.0	(20.5%)
Operating Ratios				
Enrollment per Square Mile	68.8	68.6	153.8	(58.4%)
Riders per Square Mile	42.3	43.2	80.3	(46.3%)
Daily Miles per Yellow Bus Rider	0.8	0.8	0.8	2.5%
Yellow Bus Riders per Active Bus	84.6	86.5	88.2	(0.02%)
Routine Miles per Active Bus	11,831.0	12,191.0	10,384.0	17.4%
Non-routine Miles as % of Total Miles	8.4%	7.5%	18.2%	(58.8%)
Non-routine Miles per Enrollment	7.9	7.2	13.3	(0.5)
Spare Bus Ratio	35.3%	38.9%	26.3%	47.8%
Percent State Reimbursement	52.3%	54.5%	65.0%	(16.1%)
Total Transportation Expenditures as Percent of General Fund	6.2%	6.0%	3.8%	56.3%

Source: District and peer T1 and T-2 reports

¹ This represents the actual difference in figures. The figures are rounded to the nearest tenth decimal.

Table 5-1 shows that Newton Falls EVSD transported 86.5 riders per active bus in FY 2006-07 and 84.6 riders per active bus in FY 2007-08, which was slightly lower than the peer average (88.2). While this can be explained, in part, by the District’s lower population density as measured by enrollment per square mile and riders per square mile, R5.1 shows that the District could improve the overall efficiency of its transportation function and bus utilization.

Table 5-1 also shows that the District’s spare buses comprised 38.9 percent of its fleet in FY 2006-07 and 35.3 percent in FY 2007-08, while the peer average was only 26.3 percent (see R5.5). In addition, Table 5-1 shows that the District’s percent of State reimbursed transportation

costs is lower than the peer average. The District’s policy of transporting all students, including those that live within one mile of the school contributes to the lower reimbursement rate for transportation expenditures. According to ODE policies, transportation of students living within one mile of the school is not eligible for reimbursement (see **R5.1** for discussion of transportation policies). Lastly, **Table 5-1** shows that transportation expenditures as a percent of the General Fund costs are much higher at Newton Falls EVSD than at the peer districts. This matter is further examined in **Table 5-2**.

Table 5-2: Newton Falls EVSD’s Transportation Expenditures

	Newton Falls EVSD FY 2007-08 ²	Newton Falls EVSD FY 2006-07	Peer Average FY 2006-07	% Difference vs. Peer Average for FY 2006-07
Salaries				
• Per Yellow Bus Rider	\$242.74	\$246.19	\$241.61	1.9%
• Per Active Bus	\$20,545	\$21,285	\$18,572	14.6%
• Per Routine Mile	\$1.74	\$1.75	\$1.84	(5.3%)
Benefits				
• Per Yellow Bus Rider	\$232.52	\$212.82	\$100.77	111.2%
• Per Active Bus	\$19,679	\$18,399.18	\$8,518.09	116.0%
• Per Routine Mile	\$1.66	\$1.51	\$0.84	80.0%
Maintenance & Repairs ¹				
• Per Yellow Bus Rider	\$121.67	\$113.98	\$64.88	75.7%
• Per Active Bus	\$10,298	\$9,854.36	\$4,957.29	98.8%
• Per Routine Mile	\$0.87	\$0.81	\$0.50	60.6%
Fuel				
• Per Yellow Bus Rider	\$76.23	\$52.49	\$55.15	(4.8%)
• Per Active Bus	\$6,452	\$4,538.18	\$4,426.09	2.5%
• Per Routine Mile	\$0.55	\$0.37	\$0.43	(14%)
Bus Insurance				
• Per Yellow Bus Rider	\$11.11	\$11.57	\$14.31	(19.1%)
• Per Active Bus	\$940	\$1,000.09	\$1,048.76	(4.6%)
• Per Routine Mile	\$0.08	\$0.08	\$0.10	(21.7%)
All Other Costs				
• Per Yellow Bus Rider	\$14.18	\$15.19	\$18.91	(19.7%)
• Per Active Bus	\$1,200	\$1,313	\$1,202	9.2%
• Per Routine Mile	\$0.10	\$0.11	\$0.12	(12.4%)
Total Expenditures				
• Per Yellow Bus Rider	\$698.45	\$652.25	\$495.63	31.6%
• Per Active Bus	\$59,114	\$56,390	\$38,725	45.6%
• Per Routine Mile	\$5.00	\$4.63	\$3.85	20.2%

Source: Newton Falls EVSD and T-1 and T-2 reports.

¹ Includes mechanic and mechanic helper salaries

² NFEVSD FY 2007-08 data was submitted to ODE on 7/24/08 and not approved by ODE.

Table 5-2 shows that the District's total expenditures per rider, per active bus and per routine mile in FY 2006-07 and FY 2007-08 were much higher than the peer averages in FY 2006-07, due primarily to benefit, and maintenance and repair costs. Specifically, benefit and maintenance costs were all significantly higher than the peer average on a per rider, per bus, and per mile basis. Increasing employee contribution rates toward health insurance premiums, reviewing the hour threshold for paid benefits, and improving bus utilization would reduce the benefit costs per bus (see **R3.4** in the **human resources** section and **R5.1**). The higher maintenance costs can be attributed to the District's employment of a mechanic and a mechanic's helper, despite the fact that it outsources a significant amount of work, including tire replacement, engine repair, and exhaust work. The District outsources this type of work because the bus garage is small and cannot sufficiently accommodate certain repairs (see **R5.4**). In addition, the lack of a formal bus replacement plan increases the potential for maintaining a more costly fleet (see **R5.5**). Furthermore, it appears that the District includes non-routine costs in the T-2 report, contrary to ODE instructions (see **R5.2**). This inflates the District's cost per mile ratios in **Table 5-2**. However, when including all miles (routine and non-routine) to align with all costs, Newton Falls EVSD spent \$4.28 per mile in FY 2006-07 and \$4.58 per mile in FY 2007-08, still higher than the peer average in FY 2006-07.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, AOS conducted an assessment of overall security that did not warrant changes and did not yield recommendations. The District has taken steps to safeguard the bus yard and fuel pump due to standard safety concerns about external threats of theft and vandalism. For instance, Newton Falls EVSD secures buses in a locked bus yard. The transportation building, which houses most of the parts for buses, has an alarm system. An old school bus, no longer on the ODE inventory, sits beside the building and is used for extra storage. The District has also created a method for tracking parts costs per bus by coding purchases for the individual buses. Further, the District has two 500 gallon fuel tanks, one for gas and one for diesel. The pump requires a key that is on each driver's key ring; however, even with the key, the pump only works when a switch is activated inside the transportation building. It is turned off at night so the pump cannot be operated. Each bus driver records fuel pumped after obtaining fuel and submits the slip monthly to the transportation secretary. Lastly, the mechanics own their tools and as a result, are responsible for their security.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have time or resources to pursue. AOS has identified the following as issues for further study.

- **Special Needs Transportation:** Newton Falls EVSD, in cooperation with other Trumbull County school districts, has contracted with the Trumbull County Educational Service Center (TCESC) to transport all special needs students. The new 5-year contract began on July 1, 2008 and expires on June 30, 2013. In FY 2007-08, TCESC charged Newton Falls EVSD approximately \$11,300 per special needs student. In comparison, the peer districts spent an average of \$3,800 per special needs student, paying approximately \$7,500 less per student than Newton Falls EVSD. As a result, the District should research and analyze the possibility of alternative means of transporting special needs students, or work with the TCESC to determine whether services can be provided at a lower cost.
- **Fuel Costs:** Table 5-2 shows that while the District's fuel costs per mile were lower than the peer average in FY 2006-07, the costs per mile increased by approximately 49 percent in FY 2007-08. While this may be partially attributable to the overall fuel market, the District does not purchase fuel through a consortium. Instead, it chooses to purchase fuel from a specific supplier because they are one of the few suppliers that deliver. As a result, the District should review pricing from consortiums to determine whether it can reduce fuel costs.
- **Clerical Support:** Newton Falls EVSD has a temporary employee who acts as the transportation secretary, with the source of compensation being the District's State funds. This employee is not listed in the District's EMIS reports for clerical staffing (see **R3.3** in **human resources**). According to the Transportation Coordinator, this is because the District pays this individual as a temporary employee. The primary duty of the transportation secretary is to handle all transportation related forms, such as accident and testing forms. The District reported approximately \$12,500 in FY 2006-07 and \$13,200 in FY 2007-08 in salary costs related to the transportation secretary. By comparison, the peers reported spending an average of approximately \$9,800 in transportation secretary salaries. In addition, only four of the ten peers reported transportation secretary salaries. Therefore, as Newton Falls EVSD considers District-wide clerical staffing reductions (see **R3.3** in **human resources**), it should review the potential of eliminating the transportation secretary position.

Recommendations

Operational Efficiency

R5.1 Newton Falls EVSD should negotiate to remove the language in the negotiated agreement specifying the District maintain minimum staffing levels and guaranteed minimum hours for bus drivers. The District should also consider purchasing routing software, based on a review of multiple systems, to help improve bus utilization, routing efficiency and overall management of transportation. In addition, the District should review the potential of implementing more cluster stops in areas that would not compromise student safety, with a maximum walking distance of one-half mile. This effort would be facilitated through the use of routing software. Furthermore, the District should require bus drivers to discuss potential changes to routes and stops with the Transportation Coordinator before making any changes. Taken collectively, these measures could help the District eliminate three active buses.

The District should review its transportation practices to ensure that inconsistencies in the provision of services are warranted, and update its policy where necessary. For example, the District should determine whether it is necessary to continue providing services to nearby subdivisions, which should include a consideration of safety concerns. In addition, the District should periodically review its transportation policy for potential updates and post the policy on its website to increase stakeholder access. Lastly, if necessitated by its financial condition (see financial systems), the District should review the option of adopting and maintaining transportation policies that are closer to State minimum requirements.

The District provides transportation to all students with the exception of two nearby subdivisions where it transports only K-6 grade students. This exceeds State minimum requirements to transport students in kindergarten through eighth grade who live more than two miles from the school. In FY 2007-08, Newton Falls EVSD operated 11 active buses to provide transportation services for 931 students to six schools on a three-tier system. In an effort to reduce costs, the District eliminated transportation services to high school students the following year, thereby transporting 150 fewer students and hoping to save approximately \$90,000. However, due to community dissatisfaction, the District resumed transportation services to include the high school students on November 3, 2008.

According to *Hidden Savings in Your Bus Budget* (The School Administrator, AASA, December 2005), “[an] effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal.” The District’s average utilization rate of 40 percent in FY

2007-08 falls well below 80 percent. Likewise, the District's average number of riders per bus of 86 in FY 2007-08 is 14 percent lower than the benchmark of 100, despite the use of a three-tier system. In fact, the District could be transporting an average of 150 riders per bus, based on the AASA's average of 50 riders per run (100 on a two-tier system). While the District transports a number of riders per bus similar to the peer average (88), it is unknown how many tiers the peers use to transport students.

Newton Falls EVSD's lower riders per bus and bus utilization rate can be attributed to the following factors:

- **Minimum Staffing Requirements:** The District has maintained the same routes for several years, with minor exceptions, due primarily to the classified collective bargaining agreement requirement to employ at least 11 bus drivers. Similarly, the District's classified collective bargaining agreement contains a clause that guarantees each full-time bus driver a minimum of 4.75 hours per day. According to the District's EMIS demographics report, each bus driver worked at least 4.75 hours per day in FY 2007-08, with 9 of the 11 bus drivers working 4.75 hours per day and two drivers working more than 4.75 hours per day. This was also the case when Newton Falls EVSD resumed transportation services for high school students during FY 2008-09, based on the District's bus schedule. However, the Transportation Coordinator indicated that bus drivers actually worked less than 4.75 hours when the District was not transporting high school students. Consequently, this clause could provide pay to bus drivers for time not actually worked if the District makes changes to transportation operations in the future.
- **Lack of Software:** The District has not considered purchasing routing software. Instead, the Transportation Coordinator decides routes based on her experience and past practice.
- **Use of Cluster Stops and Route Changes:** According to the Superintendent, the District uses cluster stops inconsistently and does not place them up to the maximum of one-half mile from a student's home, which is the maximum in Ohio Administrative Code (OAC) 3301-83-13. Furthermore, according to the Transportation Coordinator, bus drivers change routes and stops as needed and the District could increase the use of cluster stops.

In addition to the abovementioned inefficiencies, the District provides inconsistent levels of transportation service, as a result of past practice. For example, according to the Transportation Coordinator, there are two nearby subdivisions where services are not provided to students in grades 7-12; however, services are provided to the subdivision located adjacent to the campus. Lastly, Newton Falls EVSD's transportation policy has

not been updated since 2003 and the District does not post its transportation policies on the website.

According to *School Bus Routing Goes High-Tech* (ESRI, Winter 2000/2001), routing software can optimize routes, manage student and bus driver information, manage special education busing, and provide driving directions and bus accounting. Bus routing software can also provide accident-tracking information to show the location of dangerous stretches of roadway. Additionally, bus routing software can assist a district's fleet management by showing the number of buses, equipment, engines, and other equipment data required for conducting analyses. Finally, routing software can reduce the time it takes to create state reports and aide in the elimination of bus routes, ultimately saving money.

The Brownsville Independent School District (BISD) Management and Performance Review done by The Texas Comptroller of Public Accounts (February 2003) states, in part, that the use of staggered bell times at each school level allows buses to operate on a three tier-system. Staggered bell times reduce the vehicle and driver requirements and maximize resources, often reducing the time students spend on a bus ride and preventing mixing students of different ages. A district can also have a cluster-stop policy for regular student riders to provide more efficient bus trips. Students are picked-up in groups at designated stops located throughout the communities. BISD chose cluster locations to decrease the number of stops made by each bus while ensuring that no student had to walk too far to be picked-up. Each cluster stop should be designed to optimize the balance between walking distance for students and miles for buses.

OAC 3301-83-13 states that students may walk up to one-half mile to a bus stop. Additionally, school bus stop locations shall provide for the maximum safety of pupils, giving consideration to distance from residence, traffic volume, physical characteristics, and visibility and weather conditions.

While the above discussion suggests that Newton Falls EVSD could increase bus utilization, it may be difficult to achieve 80 percent bus utilization because of its lower population density (see **Table 5-1**) and potential safety concerns. However, four of the ten peer districts transported over 100 students per bus, for an average of approximately 116 students per bus. If the District were able to increase the number of riders per bus from 86 to 116 under its three-tier system, it could eliminate three active buses. This would increase the District's utilization rate to 55 percent, still well under the benchmark of 80 percent.

Financial Implication: If the District eliminated three active buses, it would save approximately \$60,500 annually in salaries, benefits, and bus insurance costs. Calculations for these savings use the lower-salaried bus drivers and the average bus

insurance cost per bus in FY 2006-07. Based on information from one company, purchasing routing software could cost approximately \$3,200. Additionally, the District may incur annual software maintenance fees that are not currently quantifiable. Therefore, \$3,200 will be included as the annual cost to be conservative. Lastly, the District may be able to realize additional cost savings related to fuel, and maintenance and repairs, if the above mentioned strategies reduce the number of total miles driven each year.

Policies and Procedures

R5.2 Newton Falls EVSD should establish formal policies and procedures to ensure information for T-forms is collected, reviewed, and accurately reported to ODE. The Transportation Coordinator and Treasurer should verify that all transportation expenditures reported in the T-2 Report are consistent with the instructions and represent actual school bus operations. In particular, all non-routine transportation should be properly designated for proper reporting on the T-2 report. Taking these measures to improve the compilation and review process should subsequently better ensure the District uses accurate and reliable data in making decisions regarding transportation operations.

The Transportation Coordinator indicated that adjustments are made to the T-2 report based on the percentage of time each bus is used for non-routine trips, in accordance with ODE instructions. However, when testing the data for reliability, no indication of these calculations appears on the financial reconciliation notes. In addition, reviewing the current and prior year data revealed the District's T-2 reported less than a 1 percent variance from total transportation expenditures. This indicates that the District included the non-routine expenditures, thereby overstating routine transportation costs in its T-2 report. ODE's T-2 instructions indicate that the costs of non-routine trips are not to be included.

Newton Falls EVSD does not have formal policies and procedures for completing T-forms, which increases the risk of unreliable data.

R5.3 Newton Falls EVSD should charge non-routine costs incurred in the transportation of students back to users, when appropriate. Identifying all non-routine related costs would allow the District to recover the costs of transporting students participating in extracurricular activities. Depending upon the funding source for non-routine services, this could have a positive impact on the General Fund.

Newton Falls EVSD's *Special Use of School Buses* policy indicates school buses may be used for non-routine trips only when approved by the Board and when it does not interfere with routine transportation services. In the past, the District created special

invoices to charge non-routine trips to the respective department(s). However, the District no longer uses this practice. Instead, it charges driver salaries to fund codes established specifically for non-routine trips.

The Ohio Administrative Code § 3301-83-16 indicates that boards of education have the authority to recover costs associated with non-routine use of board owned buses. The exception to this policy is field trips that are extensions of the instructional program. The costs associated with non-routine trips that may be recovered are driver salary and benefits, fuel, maintenance, service, supervision, and insurance.

While Newton Falls EVSD tracks bus driver costs for non-routine trips, it does not track other costs such as maintenance, tires, fuel, etc. As a result, the District cannot charge back the true cost of non-routine services.

Maintenance, Spare Fleet and Planning

R5.4 Newton Falls EVSD should review its internal and external maintenance services to identify options for reducing costs. For example, assuming the District maintains the current level of contracted services, it should consider eliminating the mechanic helper position. In addition, Newton Falls EVSD should require staff to obtain multiple pricing quotes for goods and services. The District should also explore joint or cooperative purchasing agreements with other districts as well as soliciting bids for transportation contracts. Coupled with a formal bus replacement plan (see R5.5), these measures would help the District ensure cost-effective maintenance and repair services. Lastly, reducing the number of active and spare buses could help reduce future maintenance and repair costs (see R5.1 and R5.5).

From FY 2004-05 to FY 2007-08, the District spent relatively similar amounts for maintenance and repairs, ranging from approximately \$100,000 to \$113,000 per year. As shown in **Table 5-2**, the District spends more per rider, per active bus and per routine mile for maintenance and repairs. This is due, in part, to the employment of one full-time mechanic and one 10-month employee serving as the mechanic's helper at a total cost of approximately \$57,200 in FY 2006-07 and \$55,100 in FY 2007-08. These costs comprised approximately 53 and 49 percent of total maintenance and repair costs in FY 2006-07 and FY 2007-08, respectively. While the peers maintain more buses and drive more miles (see **Table 5-1**), the peer average cost in mechanic and helper salaries was approximately \$39,400 in FY 2006-07. Moreover, Newton Falls EVSD outsources work such as tire replacement, engine repair, and exhaust work. The District outsources this type of work because the bus garage is small and cannot sufficiently accommodate certain repairs. "Maintenance and repairs" as defined by the T-2 reports, which should include contracted labor, accounted for 40 and 43 percent of the total maintenance and repair costs in **Table 5-1** for FY 2006-07 and FY 2007-08, respectively. As a result, the

District's purchasing practices also contribute to its level of maintenance and repair expenditures. Likewise, the lack of a formal bus replacement plan increases the risk of maintaining a costlier fleet (see **R5.5**).

Newton Falls EVSD has purchasing policies and procedures, dated August 2003, that describe obtaining the best possible price for necessary goods and services to ensure that all purchases are made in accordance with applicable mandates and that price quotations are properly solicited. Also, the District requires bid solicitation for purchases over \$25,000 and purchases over \$5,000 but under \$25,000 require price quotations from at least three vendors, where feasible.

According to the Transportation Coordinator, in practice, preauthorized purchase orders are received through the Treasurer's Office for a 3 month period for issuance to the companies typically used for auto parts and supplies. Large purchases (over \$500) require pre-approval. The Transportation Department does not use a competitive bid or price quotation process to purchase transportation related services or supplies. Although the Transportation Coordinator indicated the District receives a five percent discount from the oil and antifreeze supplier, it does not participate in any purchasing cooperatives for transportation. By not soliciting bids and quotations, Newton Falls EVSD increases the risk of not receiving the best price or quality of goods or services.

Financial Implication: Eliminating the mechanic helper position would save the District approximately \$24,000 in salaries and benefits. However, after eliminating the mechanic helper from the cost comparisons, the District would still be spending more for maintenance and repair on a per bus and per mile basis, even when total miles are included to account for reporting errors (see **R5.2**). Therefore, the District may be able to further reduce costs.

R5.5 Newton Falls EVSD should consider reducing its spare fleet by at least two buses. This would reduce the ratio of spare buses to total fleet to a level more consistent with the peer average, but still above ODE's benchmark. In addition, this reduction would reduce insurance costs and potentially lower maintenance costs. As the District reduces its active fleet, it should consider corresponding adjustments to its spare fleet (see R5.1). Moreover, the District should establish and implement a formal bus replacement plan to ensure that it is properly planning and budgeting for bus procurement in future years. The plan should include criteria for bus replacement, such as maintenance costs, estimated costs at the time of replacement, safety inspection results, age, mileage, and condition of the buses. The District should base all bus replacements on economic modeling that allows for replacement at the most advantageous point in the vehicle's life cycle. By developing a formal replacement plan, Newton Falls EVSD will be better able to plan for future expenditures and ensure a cost-effective fleet.

The District's spare buses make up 35 percent of the District's total fleet, which exceeds the peer average (26 percent) and ODE benchmark. According to ODE, spare buses typically comprise 20 percent of a district's fleet. In addition, Newton Falls EVSD does not have a formal bus replacement plan. Instead, the Transportation Coordinator indicated she looks at the mileage, and wear and tear on the bus to decide if it will continue to be operated, re-commissioned to a spare, or completely decommissioned. Currently, the Transportation Coordinator indicated she is in the process of selling one bus as the result of a rusted cross-member.

Although the State Highway Patrol visits the District once a year to conduct bus inspections, there are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass the annual Highway Patrol Inspection. As long as the bus can pass the inspection, a district may continue to use it for transportation, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests replacement of Type C (conventional buses) and D buses after 12-15 years, and Type A and B buses (lighter duty buses) after 8-12 years. NASDPTS also notes that the State of South Carolina replaces buses after 250,000 miles and/ or 15 years of service.

The average age of Newton Falls EVSD's active bus fleet is nine years, with an average of 95,765 miles per bus. As a result, the District's FY 2007-08 active fleet will not meet a 250,000 mile threshold during the forecast period. The average age of Newton Falls EVSD's fleet will exceed 12 years during the forecast period, although it will fall under 15 years. The average age of the District's spare fleet is 9 years with an average mileage of 69,778 miles.

According to the Government Finance Officers Association (GFOA), a multi-year capital plan identifies and prioritizes expected needs based on an organization's strategic plan, establishes projections and costs, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. In identifying needs for capital planning, governments should consider capital assets requiring repair, maintenance, or replacement that, if unaddressed, will result in higher future costs. According to OPPAGA, a replacement policy should include criteria such as age of the vehicle, vehicle mileage, and maintenance costs vs. vehicle value. In addition, the school board should periodically review this policy for any needed revisions.

Financial Implication: Newton Falls EVSD has the potential to save a minimum of \$1,300 in insurance costs by eliminating two buses from its spare bus fleet.

Financial Implications Summary

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

Summary of Financial Implications for Transportation Section

Recommendation	Annual Implementation Costs	Annual Cost Savings
R5.1 Eliminate three buses and driver positions, in part by negotiating to eliminate minimum staffing requirements and purchasing routing software	\$3,200	\$60,500
R5.4 Eliminate the mechanic helper position.		\$24,000
R5.5 Eliminate two spare buses		\$1,300
Total	\$3,200	\$85,800

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District Response

The letter that follows is the Newton Falls Exempted Village School District official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When District officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT

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March 27, 2009

Auditor of State
Mary Taylor, CPA
615 Superior Ave., NW
12th Floor
Cleveland, OH 44113-1801
Attn: James Penning

Dear Mr. Penning,

The Newton Falls Board of Education received a discussion draft of the performance audit prior to a post audit meeting held Thursday, March 19, 2009. The Auditor of State's Office conducted the audit as a result of projected negative balances on the District's Five Year Forecast. The items contained in the audit will help the District navigate through uncertain financial times now and in the future.

Long term goals of the Board of Education are to create a Strategic Plan, Staffing Plan, Business Advisory Council and to update Five Year Forecast policies and procedures. The District is currently in the process of negotiating to reallocate a custodian to maintenance, implementing a computerized maintenance management system, purchasing a bus routing system, looking at transportation policies and updating them as needed and discussing the charging of non-routine costs for transportation trips. The District is also currently reviewing staffing levels, a process that is done every year, monitoring sick leave, requiring supervisors to obtain multiple quotes when purchasing, reducing the spare bus fleet, formalizing a bus replacement plan and a Formal Facilities Master Plan is in place. The current negotiated agreement

will not expire until July 2010. At that time the District will attempt to negotiate with employees regarding employee contributions for medical insurance.

The performance audit team was very helpful throughout the audit period. We will continue to monitor spending and work through this difficult time. We have worked very hard to improve our academic status and will work equally as hard to improve our financial status. We are aware that this will not happen overnight and that it takes time and effort to achieve these goals. The District is committed to these goals. The Administrative Team, Board of Education, Faculty and Staff thank you for your input, time and support.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Wilson".

David Wilson, Superintendent

A handwritten signature in cursive script, appearing to read "Samantha Foy".

Samantha Foy, Treasurer