Mary Taylor, CPA
Auditor of State

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

 In May 2010, the Pickerington Local School District (Pickerington LSD or the District) engaged the Auditor of State (AOS) to conduct a performance audit of select areas of District operations. The areas selected for inclusion in the audit were financial systems, human resources, and technology. These areas were selected because they are important components of Pickerington LSD's operations that support its mission of education children and because improvements in these areas can assist in improving efficiencies and reducing costs.

 The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. While the recommendations contained in the audit report are resources intended to assist Pickerington LSD, Board members and administrators are encouraged to also assess overall operations and develop alternatives independent of the performance audit.

 An executive summary has been prepared which includes a brief project history; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, key recommendations, and the financial implications. This report has been provided to Pickerington LSD, and its contents discussed with the appropriate elected officials and administrators. Pickerington LSD has been encouraged to use the results of the performance audit as a resource for further improving its overall operations, service delivery, and efficiency.

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

Sincerely,

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 28, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514   (800) 282-0370   Fax: (614) 466-4490
www.auditor.state.oh.us

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Executive Summary

Background

Project History

In May 2010, the Pickerington Local School District (Pickerington LSD or the District) engaged the Auditor of State (AOS) to conduct a performance audit of its financial, strategic, and human resource management practices, as well as its deployment of technology. The Board of Education (the Board) requested this independent assessment to determine whether management practices are efficient and effective; and to identify areas for improvement. This performance audit is the third audit conducted of Pickerington LSD at the Board's request since 2002.

The overall objective of this project was to identify opportunities for savings and process improvements, as well as the use of leading practices within the District, by comparing results and processes to leading practices, industry benchmarks, and similar school districts. Where appropriate, recommendations were made that could reduce costs, improve efficiency, or enhance management effectiveness. The resulting recommendations provide options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition. This information should be helpful to the District as it makes decisions about future programs and operations in the context of its limited financial resources.

District Overview

Pickerington LSD is located in Fairfield County and encompasses 39 square miles. In FY 2009-10, the District reported an enrollment of 10,640 students. It operates fifteen schools including; two high schools, two junior high schools, three middle schools, seven elementary schools, and a preschool. In FY 2009-10, the District reported employing 1,019.9 full-time equivalent (FTE) staff, including 535.5 FTE classroom teachers, 80.8 education service personnel (ESP), 61.0 FTE office/clerical staff, and 49.6 FTE administrative personnel. Its general education student-to-teacher ratio was 21.7 to 1.

The Ohio Department of Education (ODE) reported that Pickerington LSD received 45.3 percent of its revenue from local sources, 51.4 percent from the State, and 3.2 percent from federal and other sources in FY 2008-09. The last time an operating levy was passed that generated new money was in November 2007 when the community approved the replacement of a 5.0 mill levy. In FY 2008-09, which was the latest year available at the time of the audit, the District's expenditures per pupil were $9,623, which was below the State average of $10,184. In FY 2009-10 the District's general operating budget was approximately $96.5 million. For FY 2008-09, Pickerington LSD was categorized as Excellent with Distinction, having met 29 of 30 academic performance indicators established by ODE and having met its adequate yearly progress goals.

Subsequent Events

On October 26, 2010, Pickerington LSD submitted its October forecast to ODE. Consistent with suggestions from the State, Pickerington LSD reduced its projected State funding by 13 percent. The forecast shows that, without changes in operations or revenue, Pickerington LSD will incur an operating deficit of $8.3 million during FY 2010-11 which is projected to increase to $32.6 million in FY 2014-15. Operating at a deficit is expected to create a negative ending fund balance of $15.4 million in FY 2011-12 which is projected to grow to $99.9 million by FY 2014-15. This would exceed the District's projected annual operating revenue.

The Board placed a levy on the November 2, 2010 ballot requesting voter approval of an 8 mill replacement levy. The levy failed by a narrow margin.

Upon the failure of the levy, the Board announced a series of cost reductions under consideration including a reduction of 43 teachers and licensed professionals, 42 secretaries and other support workers, and 4 administrators. Also under consideration is the elimination of elementary school art, music and physical education, increasing extracurricular "pay to play" fees to cover the full cost of activities, and reducing and consolidating bus stops.

As most of the operating costs for the District are salaries and benefits for personnel, Pickerington LSD will need to make significant operating changes to close its deficit. Auditors estimated that Pickerington LSD exceeds State minimum standards for regular education teachers by 60 full-time equivalents (FTEs) and exceeds minimum standards for education service personnel (ESP) by 34 FTEs. While Districts generally operate above State minimum standards and reductions to State minimums would have a significant impact on educational programs, Pickerington LSD may be able to achieve cost reductions in these classifications. For each regular education teacher eliminated, the District would save about $57,000 and for each ESP position eliminated, it would save about $54,000. Depending on the magnitude of reductions, Pickerington LSD could realize significant savings in these categories but would risk a corresponding impact on its ability to provide instructional services at their current level.

Also, the Ohio Administrative Code (OAC) requires certain administrative positions within the central office and at the building level but it is silent on minimum staffing standards. The size and complexity of operations necessitates administrative personnel above OAC requirements, but Pickerington LSD exceeds minimum requirements for assistant principals by 13 FTEs and central office personnel by 20.1 FTEs (after eliminating 2.5 FTE administrators as recommended in **human resources R2.2**). The District could realize savings of about $105,000 for each assistant principal eliminated and about $103,000 for each central office administrator eliminated. Other areas of operations also exceed State minimum requirements but the cost associated with these areas was not calculated.

Because employee benefits also comprise a high proportion of expenditures, Pickerington LSD may need to negotiate changes in the design of its health insurance plan and implement other leading practice cost containment strategies to reduce costs in this area. *Strategic Health-Care Plan Design* (GFOA, 2009) recommends that plan sponsors consider using eligibility

management, vendor management, health care management (wellness programs), behavior management, cost sharing, resource aggregation, and self-funding to contain costs.

Audit Methodology and Scope

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

AOS conducted the performance audit of Pickerington LSD in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

To complete this report, auditors gathered and assessed data from Pickerington LSD; conducted interviews with District personnel; identified applicable benchmarks and leading practices; and developed a composite of ten "peer" districts from across the State. The peer districts include: Milford Exempted Village SD (Clermont County), Northmont CSD (Montgomery County), Perrysburg EVSD (Wood County), Stow-Munroe Falls City SD (Summit County), North Canton City SD (Stark County), Springboro Community City SD (Warren County), Loveland City SD (Hamilton County), Lakota Local SD (Butler County), Westerville City SD (Franklin County), and Hilliard City SD (Franklin County). Where appropriate, such as when assessing salaries and collective bargaining agreements, AOS used a small set of regional peers from Franklin County. In these cases, the different peers are noted.

In addition to peer data, AOS used external organizations to identify leading and recommended practices for comparisons. Key external sources included the Ohio Department of Education, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National State Auditors Association (NSAA), the United States Government Accountability Office (GAO), and other industry organizations. Data from peer districts and external sources used as criteria were not tested for reliability.

The performance audit process involved significant information sharing with Pickerington LSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to confirm preliminary findings. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, Pickerington LSD provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the final report based on the District's comments.

At the outset of this audit, Pickerington LSD requested an expedited timetable to meet District-imposed deadlines for completion of the audit. AOS met those timelines and provided review copies to the District on September 8, 2010 with a response due on September 16, 2010. Pickerington LSD notified AOS that it would not be able to meet those timelines on September 16 and again on September 24 after an extension was granted. AOS received no additional feedback until November 22, 2010. At that time the District provided comments and agreed to an exit conference date. The exit conference was held on December 13, 2010.

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

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes Pickerington LSD noteworthy accomplishment identified throughout the course of the audit.

Staffing Measures for Operations: Pickerington LSD developed a support operations staffing assessment that uses performance measures (i.e., industry standards and national benchmarks) to evaluate custodial, maintenance, and grounds keeping staffing needs. The staffing assessment was developed in FY 2008-09 and included the square footage of the three new schools that opened in FY 2009-10. The District's use of performance measures to evaluate facility staffing needs allowed it to open the three new buildings without hiring additional staff. When the District completes renovations to five additional buildings, which should result in the reduction of the overall number of modular units, it plans to reevaluate support operations staffing needs using these same performance measures.

Negotiated Health Insurance Decrements: Pickerington LSD has negotiated a process to mitigate annual increases in the cost of health insurance. While the District has negotiated a specific employee health plan design in its certificated collective bargaining agreement, if the cost of providing such health care increases by 12 percent or greater, the bargaining unit is required to agree to modifications to the negotiated health plan. Decrements range from 1 to 5 percent of insurance costs, based on the increase in costs from the previous year. This provision reduces the financial impact of health insurance cost increases to the District and promotes greater cost sharing by employees through changes in the health insurance plan design.

Conclusions and Key Recommendations

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

Financial Systems

- Complete the strategic planning process that is underway and ensure that the finished strategic plan is linked to budgetary resources and contains specific performance measures to evaluate District operations.

- Reduce net sports oriented extracurricular activities expenditures to the peer average through enhancement of revenue or decreases in expenditures.

- Publish a popular annual financial report (PAFR) and enhance District financial information available on its website.

- Develop a comprehensive purchasing manual that includes enhanced credit card policies and procedures, and a policy on timely vendor payments.

- Adopt the Ohio Ethics Commission's model ethic policy for local government agencies or augment existing policies to address all recommended policy elements.

Human Resources

- Implement a formal comprehensive staffing plan at the District level.

- Eliminate 2.5 FTE administrator positions.

- Eliminate 11.0 FTE library staff positions.

- Eliminate 5.0 FTE nursing staff positions.

- Develop and implement policies and procedures to ensure Education Management Information System (EMIS) staff data is entered consistently and in compliance with ODE guidance.

- Discontinue paying the employee required portion of retirement contributions for all employees except key administrators.

- Discontinue the practice of providing additional compensation to employees contracted through the Fairfield Educational Service Center.

- Increase employee contributions for medical insurance.

- Renegotiate restrictive collective bargaining agreement language.

- Develop and implement an employee handbook to convey District policies, procedures and expectations.

- Establish a formal process to review employee job descriptions on a regular basis.

- Improve employee attendance and reduce sick leave use.

- Implement an annual employee survey.

Technology

- Develop and implement more comprehensive computer policies and a formal computer replacement plan.

- Develop, implement, and annually test a formal disaster recovery plan.

Summary of Financial Implications

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

Summary of Performance Audit Recommendations

Recommendation	Annual Impact
1.2 Decrease extracurricular sports-oriented activities expenditures or enhance revenues to bring the net cost in line with the peer average.	$375,000
2.2 Eliminate 2.5 FTE administrative positions.	$200,000
2.3 Eliminate 11.0 FTE library staff positions.	$330,000
2.4 Eliminate 5.0 FTE nursing staff positions.	$350,000
2.6 Discontinue paying the employee required portion of retirement contributions for all employees except key administrators.	$220,000
2.7 Eliminate additional compensation paid to ESC contracted employees.	$280,000
2.8 Increase employee health insurance contributions.	$1,000,000
2.12 Improve employee attendance and reduce sick leave use.	$110,000
Total Cost Savings from Performance Audit Recommendations:	**$2,865,000**

Audit Objectives

The following detailed audit objectives were used to conduct the performance audit of Pickerington LSD. In some instances, objectives were modified based on actions taken by the District to address its deficit or high risk environments indentified by the auditors during the course of their work.

Financial Management

- Does the District's financial data appear to be valid and reliable?
- What has been the District's recent financial history?
- How do the District's revenue and expenditures per pupil compare with peer districts?
- Does the District have comprehensive policies and procedures that meet recommended practices?
- Do the District's forecasting and budgeting processes meet leading practices?
- Does the District report appropriate financial information to the Board, key administrators, and the community?
- Has the District developed a strategic plan and performance measures which meet recommended practices?
- Does the District effectively manage payroll operations?

Human Resources

- How do staffing levels compare with the selected peer districts?
- Is employee compensation in line the selected peer districts, similar districts in the area, and industry practices?
- What can the District do to lower its costs for employee benefits?
- Are the District's negotiated agreements in line with similar districts in the area, State minimums, and leading practices?
- Does the District effectively address human resource management issues?
- Does the Board operate in an effective manner?
- Are District retirement incentives analyzed and implemented in accordance with recommended practices?
- Does the District provide special education programs in a manner that maximizes resources?

Technology Deployment

- Is the District effectively planning and budgeting for its technology?
- Are technology support staff effectively and efficiently deployed?
- Does the district have sufficient bandwidth?
- Is the District's technology infrastructure efficiently and effectively deployed?
- Is District hardware effectively and efficiently deployed?
- Is the District effectively and efficiently deploying software?
- Does the District have effective network and equipment security?

1. Financial Systems

Background

This section focuses on the strategic and financial management systems in the Pickerington Local School District (Pickerington LSD or the District). It analyzes strategic planning, financial policies and procedures, historical revenue and expenditures, and the forecast processes of the District. Plans, procedures, and operations were evaluated and compared to leading practices, industry benchmarks, operational standards, and selected peer districts (see **executive summary** for list of peer districts). Leading practices and industry standards were drawn from various sources, including the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), the National Institute on Governmental Purchasing (NIGP), and the Ohio Ethics Commission (OEC).

Treasurer's Office Operations

The Treasurer's Office is responsible for forecasting, budgeting, payroll, accounts payable, accounts receivable, and accounting for the District's grants. The Treasurer's Office consists of the nine full-time staff including the Treasurer, an assistant treasurer, a budgetary clerk, an accounts payable clerk, a payroll coordinator, two payroll clerks, a cashier, and a secretary. The Treasurer has been with the District since 2008, but has over 27 years experience as a school treasurer.

Budgeting

Pickerington LSD's budgeting process is inclusive: department and building-level administrators provide budgetary requests, including requests for capital projects, to the Treasurer's Office. The budgetary requests are used by the Treasurer to develop a District-wide budget. The Treasurer's Office retains detailed historical budget expenditure information as well as proposed expenditures for each department and building. Once the budget is established, the Treasurer provides monthly budget-to-actual financial status updates to the Board and District administrators. In addition, department and building-level staff have continual read-only access to budgetary information through the District's accounting software.

Historical/Projected Financial Position

Ohio Revised Code (ORC) 5705.391 and Ohio Administrative Code (OAC) 3301-92-04 requires all city, local, exempted village, and joint vocational school districts to submit a five-year forecast of general operating revenues and expenditures to the Ohio Department of Education (ODE) prior to October 31 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. The forecast format consists of three years of historical data, projections for the current and four ensuing years, and a summary of key assumptions.

Pickerington LSD's May 2010 five-year forecast was approved by the Board on May 24, 2010 and submitted to ODE on May 26, 2010. This was the most recent forecast available at the time audit field work was completed.

The Treasurer and Assistant Treasurer work together to develop the five-year forecast and they use a number of detailed supporting spreadsheets to illustrate forecast assumptions and build the forecast. In addition, review of the forecast supporting documentation found that the Treasurer and Assistant Treasurer have included sufficient detail in the supporting documentation and the detail is consistent with stated assumptions. Although the forecast is only formally approved by the Board twice each year (October and May), the forecasting process is ongoing and events that affect the forecast are taken into account and shared with the Board and administrators throughout the year.

Pickerington LSD's May 2010 five-year forecast shows that the District is projecting a negative ending fund balance in fiscal year (FY) 2011-12 of approximately $20.0 million. The negative ending fund balance is projected to grow to $72.7 million by FY 2013-14. Beginning in FY 2009-10, the District's net *result of operations* was negative and is projected to remain negative throughout the forecast period. This means that the District is spending more money than it is bringing in. The District was able to delay the point at which net results of operations became negative by taking advantage of a large number of retirements from FY 2007-08 to FY 2008-09. This allowed it to fill positions with less costly staff as well as to eliminate certain positions through attrition. At the time of the audit, Pickerington LSD had not needed to implement a formal reduction in force and had not borrowed or advanced funds from the General Fund.

Levy History

The District's most recent successful levy attempt was in May 2009, when residents approved the extension of a 0.5 mill maintenance levy. This levy generates approximately $400,000 per year; however, the revenue is restricted and can only be used for the maintenance of the District's facilities. The last time a levy was passed that generated new general operating revenue for the District was November 2007 when residents approved the replacement of an expiring operating levy (originally approved in 2002). By replacing the original levy, the District was able to general approximately $2.2 million annually in additional revenue.

District Revenue

ODE uses school districts' year-end financial data to categorize revenue by three sources: local, State, and federal. **Table 1-1** compares Pickerington LSD's revenue per pupil with the peer average for FY 2008-09, which was the latest year available at the time of the audit.

Table 1-1: Revenue per Pupil Comparison (FY 2008-09)

	Pickerington LSD		Peer Average		Difference	
	Per Pupil	% of Total	Per Pupil	% of Total	Amount	Percent
Local Revenue	$4,357	45.3%	$5,338	57.8%	($981)	(18.4%)
State Revenue	$4,943	51.4%	$3,549	38.4%	$1,394	39.3%
Federal Revenue	$311	3.2%	$349	3.8%	($37)	(10.7%)
Total Revenue	**$9,611**	**100.0%**	**$9,235**	**100.0%**	**$375**	**4.1%**

Source: FY 2008-09 year-end financial records for Pickerington LSD and peer districts
Note 1: Totals may vary due to rounding.
Note 2: Because districts often account for funds that are unrelated to the instruction of school-age students (i.e., special trust funds or adult education), not all money accounted for by a school district is included in the revenue per-pupil calculation.

Table 1-1 shows that Pickerington LSD in FY 2008-09 received approximately 4.1 percent more total revenue per pupil than the peer average. Although the District's percentage distribution of federal revenue was comparable to the peer average, the District is more heavily reliant on State revenue than the peers. Conversely the peers are more reliant on local revenue than Pickerington LSD. The District's heavy reliance on State funding as a percentage of total revenue means that the District is more vulnerable to fluctuations in revenue due to changes in State funding formulas.

Table 1-2 compares Pickerington LSD's property valuation assessed for tax purposes and local tax collections with the peer averages for FY 2008-09.

Table 1-2: Local Tax Effort Comparison (FY 2008-09)

	PLSD	Peer Average	Difference	% Difference
Assessed Valuation	$1,145,208,199	$1,343,270,496	($198,062,297)	(14.7%)
Assessed Valuation per ADM	$115,514	$164,375	($48,861)	(29.7%)
Property / Income Tax Collections	$41,225,633	$42,531,693	($1,306,060)	(3.1%)
Collections per ADM	$4,158	$5,061	($902)	(17.8%)
Collections per ADM as a % of Assessed Valuation per ADM	**3.6%**	**3.1%**	**0.5%**	**16.7%**
Effective Millage				
> Residential (Class I)	29.39	34.54	(5.15)	(14.9%)
> Business (Class II)	28.20	37.33	(9.13)	(24.5%)

Source: Ohio Department of Education
Note: Pickerington LSD FY 2008-09 June 30th average daily membership (ADM) used in the Expenditure Flow Model was 9,914.

Table 1-2 shows that Pickerington LSD has a significantly lower assessed valuation per average daily membership (ADM) and local collections per ADM than the peer average. However, the District's local property/income tax collections per ADM, as a percentage of assessed valuation per ADM, is slightly higher than the peer average. This is due, primarily, to the District's 1.0 percent continuing income tax, which generated approximately $13.1 million in FY 2008-09. Although the District's collections per ADM are lower than the peer average, the District's higher collections per ADM as a percentage of assessed valuation per ADM indicates that the community is providing the District with a higher local tax effort, based on its relative wealth, in comparison to the peers.

District Expenditures

Table 1-3 compares Pickerington LSD's expenditures per pupil over the past three fiscal years. Expenditures per pupil are based on the ODE Expenditure Flow Model (EFM). The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of students. Because districts often account for funds unrelated to the education of the students they are required to serve (i.e., adult education and student activities), the EFM does not include all the funds accounted for by a school district. Furthermore, the funds identified within the EFM are broader than, and thus do not match, the limited funds included within the five-year forecast.

Table 1-3: Historical EFM Expenditures per Pupil

	FY 2006-07	FY 2007-08	% Change	FY 2008-09	% Change
Administrative	$953	$1,008	5.7%	$995	(1.3%)
Building Operations	$1,629	$1,705	4.6%	$1,826	7.1%
Staff Support	$279	$339	21.8%	$372	9.7%
Pupil Support	$895	$879	(1.8%)	$937	6.6%
Instruction	$5,161	$5,368	4.0%	$5,493	2.3%
Total	**$8,917**	**$9,299**	**4.3%**	**$9,623**	**3.5%**
June 30th ADM	**9,670**	**9,814**	**1.5%**	**9,914**	**1.0%**

Source: ODE Expenditure Flow Model Reports

Based on **Table 1-3,** Pickerington LSD's expenditures have increased by an average of 3.9 percent per year over the last two fiscal years. The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, operational expenditures by function level must be continually evaluated and prioritized.

Table 1-4 compares Pickerington LSD's FY 2008-09 expenditures on a per pupil basis to the peer average. FY 2008-09 was the most recent financial information available at the time of the audit.

Table 1-4: Expenditure per Pupil Comparison (FY 2008-09)

	PLSD	Peer Average	$ Difference	% Difference
Administrative	$995	$995	$0	0.0%
Building Operations	$1,826	$1,842	($16)	(0.9%)
Staff Support	$372	$224	$148	66.1%
Pupil Support	$937	$1,010	($73)	(7.3%)
Instruction	$5,493	$5,439	$54	1.0%
Total	**$9,623**	**$9,510**	**$113**	**1.2%**

Source: FY 2008-09 ODE Expenditure Flow Model Reports
Note: Pickerington LSD FY 2008-09 June 30th Average ADM = 9,914.

Table 1-4 shows that Pickerington LSD's total expenditure per pupil was $113 (or 1.2 percent) higher than the peer average. The District's per pupil spending on building operations and pupil support was lower than the peer average by 0.9 percent and 7.3 percent, respectively. The District's instruction expenditures per pupil were slightly higher than the peer average, $54 per

pupil higher or 1.0 percent. However, staff support expenditures ($372 per pupil) was 66.1 percent higher than the peer average ($224 per pupil). Nearly all of Pickerington LSD's support staff expenditures were coded as being for the "improvement of instructional services" (function code 2210). According to the Uniform School Accounting System (USAS) User Manual, these expenditures are "primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging learning experiences for pupils. These activities include curriculum development, techniques of instruction, child development and understanding, staff training, and so forth."

Table 1-5 compares Pickerington LSD's FY 2008-09 historical expenditures as reported in the five-year forecast with the peer average.

Table 1-5: Forecast Expenditures Comparison (FY 2008-09)

	Pickerington LSD		Peer Average		Per Pupil Difference	
	Total	**Per Pupil**	**Total**	**Per Pupil**	**Amount**	**Percent**
3.01 - Personal Service	$55,477,802	$5,596	$46,503,160	$5,530	$66	1.2%
3.02 - ERIB	$18,925,755	$1,909	$15,661,821	$1,913	($4)	(0.2%)
3.03 - Purchased Services	$12,368,496	$1,248	$8,871,437	$985	$263	26.7%
3.04 - Supplies & Materials	$2,151,561	$217	$2,041,764	$264	($47)	(17.8%)
3.05 - Capital Outlay	$590,671	$60	$625,842	$72	($12)	(16.9%)
4.01 - All Principle	$0	$0	$138,000	$12	($12)	(100.0%)
4.02 - Principle - Notes	$0	$0	$11,983	$2	($2)	(100.0%)
4.05 - Principle - HB 264 Loans	$0	$0	$9,500	$2	($2)	(100.0%)
4.06 - Interest and Fiscal Charges	$0	$0	$132,262	$19	($19)	(100.0%)
4.30 - Other Objects	$1,855,316	$187	$1,539,040	$197	($10)	(5.1%)
4.50 - Total Expenditures	**$91,369,601**	**$9,216**	**$75,534,809**	**$8,996**	**$220**	**2.4%**

Source: ODE Five-Year Forecasts
Note: Pickerington LSD FY 2008-09 June 30th Average ADM = 9,914.

Table 1-5 shows that Pickerington LSD's total expenditures in the five-year forecast were, on a per pupil basis, $220 (or 2.4 percent) higher than the peer average. The District's higher expenditures are specifically attributable to higher purchased services expenditures, which were $263 or 26.7 percent higher than the peer average. The District's significantly higher purchased services expenditures are attributable to the District contracting for transportation services. Yet, even though the District does not employ bus drivers, its personal services expenditures were 1.2 percent higher than the peer average. See **human resources** for recommendations addressing personal services expenditures.

Payroll

Pickerington LSD has a bi-monthly payroll cycle and all staff are paid on a single payroll run. In addition, the District employees use direct deposit and electronic paystubs with few exceptions. Staff members are also required to request pre-approval for vacation leave and personal leave from their supervisors. Personal leave is approved by the Human Resources Department. Finally, the payroll supervisor is responsible for reviewing payroll records. These practices are consistent with recommended payroll practices.

Recommendations

1.1 Develop and implement a district-wide strategic plan that includes appropriate performance measures and is supported by budgetary resources.

Pickerington LSD should continue with its current strategic plan development process. It should ensure that its plan incorporates programs that are consistent with the vision of the District, as well as the financial resources to support those programs and initiatives. The District should also develop a performance measurement system that is formally documented in its strategic plan. The strategic plan should clearly articulate the following:

- **The District's goals and objectives, and the strategies for achieving them;**
- **The priorities the Board assigns to its goals, objectives, and strategies;**
- **The performance measures and standards the District will use to judge its progress toward meeting its goals; and**
- **The entities or departments responsible for implementing the strategies.**

Once a comprehensive strategy is adopted and approved, Pickerington LSD should assess all parts of the strategic plan on an annual basis and, as appropriate, amend its priorities to reflect changes in internal and external conditions.

Pickerington LSD employs some planning documents to guide facilities support operations but it does not have a formal District-wide strategic plan. In April 2010, the District began a process for developing a comprehensive strategic focus for long-term student achievement. The Superintendent has established an Advisory Committee consisting of community experts and professionals from a variety of backgrounds. The Superintendent's Advisory Committee has two specific goals for the 2010-11 school year which are to:

- "Develop a school-district framework for 21st century direction that meets global educational demands and needs for students of today and for tomorrow; and
- Advise, seek, and assist Design Teams as they determine strategic direction."

The Design Teams are groups of technical experts from within the District and community that are tasked to research and design educational programs. The Design Teams have two specific high-priority target areas for the 2010-11 school year which are to:

- "Design a strategic educational technology plan that meets emerging trends and student needs; and
- Research evolving educational trends and global programming that focuses on meeting 21st century trends."

Once the Advisory Committee has mapped out the complete district-wide framework and the Design Teams have provided the supporting technical detail the District will be in a position to develop a comprehensive strategic plan. The Superintendent plans to use the strategic plan to evaluate both educational and support operations to ensure that future budgets support district-

wide strategic initiatives.

According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), every government entity should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment, and revenues. Accordingly, the District should take the following actions when developing its strategic plan:

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

According to *Best Practices in Performance Measurement- Developing Performance Measures* (National State Auditors Association (NSAA), 2004), performance measurement is a critical element of accountability for public resources. It is important to know and understand the public resources used to provide government services and whether these resources were spent in accordance with laws, rules, and regulations. Equally important is the ability to show what was received from the use of these resources and whether the public is receiving an acceptable benefit. Before beginning the process of developing performance measures, NSAA states that public program managers must first know what they are measuring. That involves developing a mission statement, establishing goals, setting objectives, and developing an action plan. According to NSAA, a good process for developing performance measures would include:

- Defining the desired performance measures based on the agency's mission, goals, and objectives;
- Assessing each performance measure to ensure it is meaningful, focused on stakeholder needs and demands, based upon available data, and simple enough to be understood;
- Selecting key performance measures to be reported to Board members, the public, and other stakeholders; and
- Clearly defining each performance measure so that all users can easily understand it; and
- Establishing performance targets.

Prior administrators had not developed a strategic plan that addressed both academic and business-side operations. Though plans of this kind represent leading practices, their use in public-sector entities is rare because of the time intensive nature of plan development and management.

While Pickerington LSD has developed performance measures to evaluate its facility operations and the Superintendent has developed a "program audit" to evaluate program offerings and staffing needs (see **noteworthy accomplishments** in executive summary), the lack

of a formal district-wide strategic plan precludes it from further developing performance measures that specifically support the formal, long-range goals of the District.

By developing and maintaining a comprehensive strategic plan, Pickerington LSD will gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational mission. In addition, a strategic plan can serve as a tool to improve communication between the District and community, provide direction for the Board, and align planning and budgeting processes.

1.2 Decrease extracurricular sports-oriented activities expenditures or enhance revenues to bring the net cost in line with the peer average.

Pickerington LSD should bring its sports-oriented extracurricular activities more in line with the peer average. This can be achieved by reevaluating its supplemental salary schedules, reducing the number of supplemental positions, reducing the number of athletic teams, or increasing its "pay-to-participate" fees.

In FY 2008-09 Pickerington LSD spent approximately $1.8 million on sports oriented extracurricular activities. Approximately $1.4 million, or 74.6 percent, of this expenditure was from the General Fund. For FY 2009-10, the District had the following pay-to-participate fee structure in place: $190 per sport for high school athletics and $120 per sport for junior high athletics. In FY 2008-09 the District recorded total pay-to-participate receipts of approximately $414,000. During the course of the audit the Board approved pay-to-participate fee increases from $190 per sport to $210 per sport for high school athletics and from $120 per sport to $135 per sport for junior high athletics.

Table 1-6 shows Pickerington LSD's FY 2008-09 extracurricular activities expenditures as compared to the peer average.

Table 1-6: Extracurricular Expenditures Comparison (FY 2008-09)

	Pickerington LSD		Peer Average		Per Pupil Difference	
	Total	**Per Pupil**	**Total**	**Per Pupil**	**Amount**	**Percent**
Academic Oriented	$335,443	$34	$325,360	$44	($10)	(23.2%)
Occupation Oriented	$4,621	$ 0 [1]	$2,256	$0 [1]	$0	0.0%
Sports Oriented [2]	**$1,766,473**	**$178**	**$739,827**	**$99**	**$80**	**80.8%**
School & Public Service Co-Curricular	$69,648	$7	$102,494	$17	($10)	(59.8%)

Source: FY 2008-09 ODE Expenditure Flow Model Reports
Note: Pickerington LSD FY 2008-09 June 30th Average ADM = 9,914.
[1] Occupation oriented activities expenditures for both Pickerington LSD and the peers were less than $1 per pupil.
[2] Sports oriented expenditures at peer districts may or may not include athletic directors' salaries and benefits.

As shown in **Table 1-6**, the District's sports oriented extracurricular activities expenditures were approximately $178 per pupil while the peer average was $99 per pupil. The District spent more per pupil than any other peer district. The peer district with the highest spending per pupil on sports oriented activities was $150, which was still over 15 percent less than Pickerington LSD.

Table 1-7 compares the peer average expenditures on sports oriented activities with the District's net sports oriented extracurricular activities expenditures after subtracting what it collected from pay-to-participate fees.

Table 1-7: Sports Oriented Activities Comparison (FY 2008-09)

Sports Oriented Activities - Expenditure Per Pupil	$178
Sports Oriented Activities - Revenue Per Pupil	($42)
Sports Oriented Activities - Net Cost Per Pupil	$136
Peer Average Expenditure Per Pupil	$99
Difference Per Pupil	**$38**
Revenue Enhancement/Expenditure Reduction to the Peer Avg.	**$374,913**

Source: FY 2008-09 ODE Expenditure Flow Model Reports and Pickerington LSD year-end financial information
Note: Pickerington LSD FY 2008-09 June 30th Average ADM = 9,914.

Table 1-7 shows that Pickerington LSD would need to decrease sports oriented extracurricular activities expenditures by approximately $375,000 to bring costs in line with the peer average or increase its revenues to offset the additional costs. However, it is important to note that this analysis does not take into account the impact that peer pay-to-participate revenue could have on the peer average net cost.

Although Pickerington LSD has pay-to-participate athletic fees in place, these fees do not offset the District's actual cost incurred to provide sports-oriented extracurricular activities. The District has not completed a comparison with surrounding districts but it has calculated the full cost per participant for each sports-oriented extracurricular activity. However, according to the Treasurer's Office, it is the Board's practice that pay-to-participate fees recover only about a third of the total cost to the District.

The District incurs an additional financial burden because of its high sports oriented extracurricular costs, which primarily impacts the General Fund. If the District were able to decrease expenditures to bring the net costs of sports oriented extracurricular activities in line with the peer average, it would be able to target those funds toward supporting the long- term educational goals of the District or towards helping address projected deficits. In addition, the reduction of sports oriented extracurricular activities expenditures would improve the District five-year forecast personal services expenditure in comparison to the peer average (see **Table 1-5**). For FY 2008-09 approximately 70 percent of General Fund sports oriented extracurricular activities expenditures were allocated to personal services. If the District is unable to reduce its costs in this area, it might be able to offset the high costs through additional pay-to-participate fees. If Pickerington LSD chooses to increase pay-to-participate fees, it should consider a sliding fee scale based on ability to pay.

Financial Implication: If Pickerington LSD were able to enhance revenue or decrease expenditures to bring the net cost of sports oriented extracurricular activities in line with the peer average, it would be able to save approximately $375,000 per year based on its FY 2008-09 expenditures.

1.3 Publish a Popular Annual Financial Report (PAFR) and provide additional financial information on the District's web site.

Pickerington LSD should supplement its comprehensive annual financial report (CAFR) with a popular annual financial report (PAFR) that contains GFOA-recommended characteristics. In addition, the District should consider publishing additional financial information on its web site, consistent with practices indentified in other area school districts. This financial information should include the annual budget document and the monthly Board financial information packet including the monthly financial status reports. Publishing a PAFR and other additional financial information through its web site will help the District further expand community access to financial information; promote transparency and financial accountability; and provide residents with an accurate depiction of the District's financial condition.

Pickerington LSD publishes some financial information on its web site including five-year forecast projections and assumptions; comprehensive annual financial reports (CAFRs); and articles written by the Treasurer which focus on a variety of financial topics. However, the District does not publish a popular annual financial report (PAFR) and other recommended types of financial information.

According to *Preparing Popular Reports* (GFOA, 2006), government entities should supplement their CAFRs with simpler, "popular" reports designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- The popular report should be **issued on a timely basis,** no later than six months after the close of the fiscal year, so that the information it contains is still relevant.
- The popular report should **mention the existence of the CAFR** for the benefit of readers desiring more detailed information.
- The popular report should attract and hold readers' interest**, convey financial information in an easily understood manner,** present information in an attractive and easy-to-follow format, and be written in a concise and clear style.
- The popular report should **avoid technical jargon** to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics. Narratives should be used, as appropriate, to highlight and explain items of particular importance.
- The popular report should **use comparative data constructively** to help identify trends useful in the interpretation of financial data.
- Most importantly, the popular report should establish credibility with its intended readers by **presenting information in a balanced and objective manner**.

Hilliard and Worthington City School Districts in Franklin County develop both a CAFR and PAFR and have them available on their respective web sites. The web sites make this information easily accessible for use by community members, Board members, staff, and local businesses to gain insight into the financial operations of the districts.

According to *Website Presentation of Official Financial Documents* (GFOA, 2009), the benefits of using a government agency's web site to communicate financial information include:

- **Heightened awareness**: Many potential users of a government's financial information may only discover that it is available because they find it on the website;
- **Universal accessibility**: Information furnished on a website is readily available to a wide range of potential users (e.g., citizens, rating agencies, regulatory agencies, other governments, and the press) without charge;
- **Increased potential for interaction with users:** A website can offer two-way, multi-conversational, or interactive formats. This capacity may be especially helpful for proposed documents or for citizen surveys;
- **Enhanced diversity**: A website may offer the possibility of providing the same financial information in a variety of languages, which may be needed pursuant to the policies of a particular governmental entity;
- **Facilitated analysis**: Computerized tools can be used to find, extract, and analyze data presented in electronic form;
- **Increased efficiency**: Presenting all financial information in a single location can help to avoid calls for redundant specialized reports (e.g., reproducing data already presented in the comprehensive annual financial report or the budget document);
- **Lowered costs**: Electronic publication can be accomplished relatively quickly and can reduce or eliminate many of the costs associated with producing a hard copy report, including those associated with handling and mailing the reports;
- **Contribution to sustainability:** Using a web site to disseminate financial information may reduce paper consumption, thereby contributing to the core value of sustainability; and
- **Broadened potential scope:** The use of hyperlinks allows for easy referencing of relevant information from other sites.

Several other districts use their web sites to make useful financial information more accessible to the public; including:

- Hilliard City School District (Franklin County), Lakota Local School District (Butler County), and Westerville City School District (Franklin County) all publish annual budget documents on their web sites;
- Lebanon City School District (Warren County) makes its monthly Board financial report available on the web site; and
- Perrysburg Exempted Village School District (Wood County) and Stow-Munroe Falls City School District (Summit County) make monthly financial reports available on their web sites.

The current Treasure has not considered publishing a PAFR. However, a comparative analysis of the elements of peer district PAFRs indicates that the majority of the information is already published by the District in various other forms and documents.

Publishing a PAFR in addition to other financial information such as the annual budget document and monthly financial reports, and making them available through its web site, will

help the District promote transparency and accountability while maximizing access to its financial information.

1.4 Develop a purchasing manual that details all purchasing policies, procedures, and internal controls.

To enhance its existing purchasing policies and procedures and bring them in line with recommended practices, Pickerington LSD should develop a comprehensive purchasing manual, which incorporates all of its existing purchasing policies and procedures, and the internal controls it uses during the purchasing process. While implementing this recommendation, the District should take advantage of the opportunity to ensure that its purchasing policies and procedures are in line with recommended practices. Specifically, the District should ensure that it develops complete policies and procedures governing the use of purchasing cards and credit cards that are consistent with GFOA recommended practices. In addition, the District should augment its purchasing policies to ensure that they address the District's expectation for timely payment of vendor obligations. Finally, the purchasing manual should periodically be reviewed to determine if the procedures it contains have changed and whether they are still relevant to the District's operations.

The District has Board policies that govern purchasing and the District has no financial audit citations or management letter recommendations which suggest purchasing issues exist. However, Pickerington LSD does not have a purchasing manual to guide purchasing at the building or department-level. In addition, the Board, in May 2010, formally adopted a credit card policy. However, the District's credit card policy and supporting procedures do not collectively address all GFOA recommended elements. Finally, the District's purchasing policies do not specifically communicate expectations on the timeliness of vendor payments.

According to *Introduction to Public Procurement* (The National Institute of Governmental Purchasing (NIGP), 2009), procedures manuals are written in detail and intended not just to provide guidance but also to set out the forms, process requirements, and steps for each procurement action. A procedures manual is best structured in exactly the same sequence as the procurement cycle, detailing each step in the process and showing the forms to be used, the information required, and the standard length of time necessary to complete any step in the process. This facilitates operational planning and provides benchmarks for monitoring the process. Procedures manuals should be tailored to meet agency requirements and, at a minimum, should include:

- Procurement goals, objectives, and responsibilities;
- Step-by-step outline of the procurement process, including the processing of requisitions, solicitations, bid evaluation and awards, preparation and issuance of purchase orders and contracts, follow-up procedures, and contract administration;
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting supplier performance;
- Step-by-step outline of the property and supply management programs, including inventory control and management and the transfer or disposal of surplus property;

- Other special procedures, such as a description of a cooperative purchasing program, how to process invoices for payment and how to process call-ups against term contracts and blanket purchase orders; and
- Listing of the important forms used in the procurement process, instructions to bidders and general conditions governing contracting, and a glossary of procurement terms used in the manual.

The manual should be written for the guidance of both the procurement staff and those people in other departments who are charged with initiating requisitions. It is good practice to make direct reference to, and in some cases include a copy of, the enabling regulation or policy in a procedures manual. Procedures manuals sometimes include process flow charts to graphically portray the flow of forms and information through the procurement process.

Elyria City School District (Lorain County), Miami East Local School District (Miami County), and Stow-Munroe Falls City School District (Summit County) have developed procedure manuals to guide staff through the purchasing process and ensure regulations and district policies are followed.

In addition, according to *Purchasing Card Programs* (GFOA, 2008), if not properly monitored, the issuance of purchasing cards or credit cards to employees could result in internal control issues or abuse. Best practice guidelines for the use of purchasing/credit cards include the following:

- Written policies and procedures for internal staff;
- Written acknowledgment of employee responsibility;
- Spending and transaction limits;
- Written requests for higher spending levels;
- Recordkeeping requirements;
- Clear guidelines on the appropriate uses of purchasing cards;
- Guidelines for making purchases by telephone, fax, or Internet;
- Periodic audits of card activity;
- Procedures for handling disputes and unauthorized purchases;
- Procedures for card issuances and cancellation, lost or stolen cards, and employee termination; and
- Segregation of duties for payment approvals, accounting, and reconciliation.

Finally, *Extension of Federal Prompt-Pay Requirements to State and Local Governments* (GFOA, 1989) notes that the timely payment of bills is an important financial management practice that can save governments money. By carefully timing payments so that they are neither late nor too early, the District could take advantage of vendor discounts, avoid penalties, and maximize its return on short-term investments. Furthermore, prompt bill payment reduces vendor costs, which in turn, could reduce government procurement costs.

The District has not experienced purchasing-related issues that have generated financial audit citations or management letter recommendations. As a result, the District has not needed to implement complete policies that are consistent with recommended practices.

While some of the policies and procedures recommended by NIGP and GFOA are present in existing purchasing policies and procedures, Pickerington LSD does not have a formal comprehensive purchasing manual in place to guide employees through the requisition and purchasing process. The development, approval, and distribution of a purchasing manual that includes comprehensive credit card policies and procedures as well as a policy on timely payments among other things, would help the Board, Treasurer, and Superintendent clarify the District's official position on purchasing practices and improve the consistency in applying of those practices.

1.5 Augment the District ethics policies to include all Ohio Ethics Commission recommended elements.

Pickerington LSD should either adopt the Ohio Ethics Commission's (OEC's) model ethics policy for local government agencies or augment existing policies and procedures to include all areas of the model ethics policy. Although OEC confirmed that the District's top-level administrators were in compliance with financial disclosure requirements and the auditor found no evidence that ethic violations have occurred, the District's lack of comprehensive ethics policies and procedures could increase the risk of staff engaging in unethical behavior.

Pickerington LSD has Board policies and procedures that govern Board and District staff ethics. In comparison to the OEC model ethics policy the District's ethics policies and procedures specifically governing Board member ethics were found to include all recommended elements. However, in comparison to the OEC model ethics policy there were deficiencies in the policies and procedures as they govern staff ethics.

The OEC has developed a model ethics policy for local government agencies. The OEC model ethics policy prohibits employees from engaging in the following activities:

- Soliciting or accepting employment from anyone doing business with the [District];
- Being paid or accepting any form of compensation for personal services rendered on a matter before any board, commission, or other body of the [District];
- Holding or benefiting from a contract with, authorized by, or approved by, the [District];
- Voting, authorizing, recommending, or in any other way using his or her position to secure approval of a [District] contract (including employment or personal services) in which the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship, has an interest;
- Solicit or accept honoraria;
- During public service, and for one year after leaving public service, representing any person, in any fashion, before any public agency, with respect to a matter in which the official or employee personally participated while serving with the [District]; and
- Using, or authorizing the use of, his or her title, the name of the [District], or [the District's acronym], or the [District]'s logo in a manner that suggests impropriety, favoritism, or bias by the [District] or the official or employee.

Pickerington LSD's staff ethics policies and procedures do not address the following elements of the OEC model ethics policy:

- Soliciting or accepting employment from anyone doing business with the [District];
- Being paid or accepting any form of compensation for personal services rendered on a matter before any board, commission, or other body of the [District];
- Solicit or accept honoraria;
- During public service, and for one year after leaving public service, representing any person, in any fashion, before any public agency, with respect to a matter in which the official or employee personally participated while serving with the [District]; and
- Using, or authorizing the use of, his or her title, the name of the [District], or [the District's acronym], or the [District]'s logo in a manner that suggests impropriety, favoritism, or bias by the [District] or the official or employee.

The District's ethics policies appear to be generic policies that although consistent with ethics policies that are typically found at other districts, do not address all elements of the model ethics policy.

The OEC confirmed that the District's administrators have complied with financial disclosure filing requirements and there was no other evidence suggesting the occurrence of ethics violations by District staff. However, the District's lack of staff ethics policies and procedures that address all recommended policy elements could leave the District exposed to complications associated with unethical staff behavior.

2. Human Resources

Background

This section of the performance audit focuses on the Pickerington Local School District (Pickerington LSD or the District) human resource (HR) functions, including staffing levels, compensation, employee benefits, negotiated agreements, human resource management, and special programs. The District's human resource functions were evaluated and compared to leading practices, industry benchmarks, operational standards, the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), and selected peer districts (see **executive summary for list of peer districts**). Leading practices and industry standards were drawn from the State Employment Relations Board (SERB), the Society for Human Resource Management (SHRM), the Ohio Department of Education (ODE), and the Ohio Department of Administrative Services (DAS).

Organizational Structure and Function

Pickerington LSD's Superintendent reports directly to the Board of Education (the Board) and is responsible for the overall management of the District, including program and staff decisions. Building administrators, the Assistant Superintendent, as well as directors of student services, special education, technology, communications, human resources, and a program and accountability officer, all report directly to the Superintendent. The Assistant Superintendent is responsible for maintaining Board policies and oversees the Business Manager and Educational Management Information System (EMIS) Coordinator. The Business Manager is responsible for District operations while the EMIS Coordinator is responsible for reporting staff and student data. The Human Resource Department is led by a director and assistant director, and is responsible for negotiations, labor relations, employee discipline, maintaining personnel files, teacher licensure, recruitment, and assisting in determining staffing levels at the District.

The Board regularly reviews and updates district-wide policies, which include policies governing personnel and management. Board policies also include a description of the roles and responsibilities of the Board, Superintendent, and Treasurer, as well as the process for communication among the Board, District staff, and the community.

Staffing

Table 2-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at Pickerington LSD and the average of the peer districts. Staffing data for both the District and the peers is FY 2009-10 data, as reported to ODE through EMIS. While staffing data obtained through EMIS represents staffing as of October, 2009, staff levels for Pickerington LSD were updated to reflect staffing at the end of fiscal year (FY) 2009-10. EMIS position codes were grouped into categories that represent broad functional areas and do not match the sub-totals shown on EMIS reports. The staff levels shown in **Table 2-1** have been presented on a per 1,000

student basis because staffing levels are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases variances attributable to the size of the peers.

Table 2-1: Staffing Comparison Summary (in FTEs)[1]

	Pickerington LSD		Peer Average		Differences	
Students Educated (FTE)	10,126		8,097		2,029	
	FTE Staff	**FTE/1,000 Students**	**FTE Staff**	**FTE/1,000 Students**	**FTE Staff**	**FTE/1,000 Students**
Administrative	49.6	4.9	36.7	4.7	12.9	0.2
Office/Clerical	61.0	6.0	58.8	7.1	2.2	(1.2)
Teaching	535.5	52.9	417.9	52.8	117.6	0.1
Education Service Personnel (ESP)	80.8	8.0	65.2	7.7	15.6	0.3
Educational Support	40.9	4.0	53.4	6.0	(12.5)	(2.0)
Other Certificated	18.5	1.8	18.5	2.4	(0.0)	(0.6)
Non-Certificated Classroom Support	59.9	5.9	63.7	8.3	(3.8)	(2.4)
Other Technical/Professional Staff	21.5	2.1	19.3	2.4	2.2	(0.3)
Other Student Services	18.8	1.9	25.5	3.0	(6.7)	(1.1)
Operations	133.4	13.2	166.7	22.8	(33.3)	(9.6)
Total Staff	**1,019.9**	**100.7**	**925.8**	**116.9**	**94.1**	**(16.2)**

Source: Pickerington LSD and the Ohio Department of Education
Note: Totals may vary due to rounding.
[1] According to the FY 2010 EMIS Reporting Manual (ODE, 2010) instructions for reporting staff data, full-time equivalency (FTE) is the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time.
[2] Reflects the number of FTE students receiving educational services from district and excludes the percent of time students are receiving educational services outside of the district.

As illustrated in **Table 2-1**, Pickerington LSD total staff per 1,000 students is lower than the peer average. Office/clerical staff, educational support, other certificated staff, non-certificated classroom support, other technical/professional staff, and staff providing other student services were all below the peer district average on a per 1,000 student basis. Operations staff, which include custodial, maintenance, and food service personnel, was also below the peer average on a per 1,000 student basis. The following provides a more detailed explanation of the staffing categories and variances shown in **Table 2-1**.

- **Administrative**: Pickerington LSD employs 4.9 administrative staff per 1,000 students which is 0.2 FTE per 1,000 more than the peer average. This category includes district and building level administrators, directors and coordinators, and other personnel responsible for the planning, management, evaluation, and operation of the District. A more in depth evaluation of this staffing area showed the District employs about the same number of district level administrative staff per 1,000 students and a greater a number of building level administrators when compared with the average of the peer districts (see **R2.2**).

- **Office/Clerical**: Pickerington LSD employs 6.0 office/clerical staff per 1,000 students which is 1.2 FTE per 1,000 students less than the peer average. This category includes administrative assistants, secretaries, clerks, bookkeepers, and other personnel

responsible for clerical duties.

- **Teaching**: This category includes general, special, gifted, pre-school, career technical, and limited English proficiency (LEP) teachers. Pickerington LSD employs 52.9 teachers per 1,000 students, which is only 0.1 more FTEs per 1,000 students than the peer average, or about 1 FTE teacher.

- **Educational Service Personnel (ESP)**: The District employs 8.0 FTE staff per 1,000 students in this category, which is about 0.3 more FTEs per 1,000 students than the peer average. This category includes kindergarten through grade eight art, music, and physical education teachers, as well as counselors, librarians/media specialists, school nurses, visiting teaches, and social workers. The District could bring ESP staffing level in line with the peers if it implemented the recommendations contained in this report (see **R2.3** and **R2.4**).

- **Educational Support**: Personnel in this category are certificated or licensed employees who work directly with students but who are not the classroom teacher. Specifically, educational support staff includes the positions of remedial specialists and tutors/small group instructors who serve the regular student population. The category also includes supplemental service teachers who work with students with specialized needs. Pickerington LSD has about 4.0 FTE staff per 1,000 students, which is about 2.0 fewer FTEs per 1,000 students than the peer average. While the number of remedial specialists and tutors serving regular education students is in line with the peer average, Pickerington LSD employs fewer supplemental service teachers serving special education students than the peer average, which is the cause of the variance.

- **Other Certificated**: This category represents the remaining certificated positions at the District and includes curriculum specialists and other education specialists. At Pickerington LSD, the majority of the employees in this category are instructional support coaches who support District teachers in implementing new teaching methods and integrating technology into the curriculum. Pickerington LSD has 1.8 FTEs per 1,000 students in this category which is 0.6 FTEs per 1,000 students less than the peer district average.

- **Non-Certificated Classroom Support**: This category represents support staff that assists in the classroom as teaching aides, instructional paraprofessionals, or attendants. Pickerington employs 5.9 FTEs per 1,000 students which 2.4 FTEs per 1,000 students less than the peer average.

- **Other Technical/Professional Staff**: This category represents other technical and professional staff including library aides and computer support staff. Pickerington LSD employs 0.3 fewer FTEs per 1,000 students than the peer average.

- **Other Student Services**: Pickerington LSD employs 1.1 fewer FTEs per 1,000 students in this category than the peers. This category includes health specialists such as psychologists, physical therapists, and speech and language therapists, some of whom the

District receives through individual contracts, which are not captured in **Table 2-1**. Many of these positions serve students with disabilities.

Compensation

Table 2-3 shows the District's average salary and salary cost per student in comparison to the peer average for FY 2009-10. Average salaries are impacted by beginning wage rates, years of service, negotiated salary schedules, education or skill level attained, and is some cases other personnel benefits. Both average salaries and the number of staff employed impact the salary cost per student. Therefore, a district can have higher average salaries but fewer people employed, and thus a lower salary cost per student. Conversely, a district could have low average salaries but more staff than the peers, causing its salary cost per student to be higher than the peers.

Table 2-3: Salary Cost Comparison

	Average Salaries			Salaries Per Student Educated[1]		
	PLSD	**Peer District Average**	**Percent Difference**	**PLSD**	**Peer District Average**	**Percent Difference**
Administrative	$83,408	$84,686	(1.5%)	$409	$394	3.8%
Office/Clerical	$32,362	$35,917	(9.9%)	$195	$252	(22.6%)
Teaching	$62,651	$59,922	4.6%	$3,313	$3,152	5.1%
Education Service Personnel (ESP)	$67,026	$64,942	3.2%	$535	$503	6.4%
Educational Support	$70,427	$54,304	29.7%	$284	$326	(12.9%)
Other Certificated	$73,271	$65,109	12.5%	$134	$85	57.6%
Non-Certificated Classroom Support	$19,726	$18,399	7.2%	$117	$168	(30.4%)
Other Technical/Professional Staff	$31,427	$31,010	1.3%	$67	$72	(6.9%)
Other Student Services	$60,519	$54,557	10.9%	$112	$163	(31.3%)
Operations	$29,807	$26,429	12.8%	$393	$573	(31.4%)
Total Staff	**$55,186**	**$48,631**	**13.5%**	**$5,558**	**$5,653**	**(1.7%)**

Source: Pickerington LSD and the Ohio Department of Education
Note: Totals may vary due to rounding.
[1] Students Educated reflects the number of FTE students receiving educational services from district and excludes the percent of time students are receiving educational services outside of the district.

While district-wide average salaries were 13.5 percent higher than the peer average, the salary cost per student educated was 1.7 percent less than the peer districts, which means overall Pickerington LSD has fewer employees per student than the peers (see **Table 2-1**). The District's salary cost per student was higher than the peer average for administrators, teachers, ESP, and other certificated staff. Experience and skill level are likely the cause of the high average salary for other certificated employees, who are teachers providing instructional support to other teachers. The District could reduce its salary cost per student for administrators and ESP through implementing recommendations contained in this report.

Because experience and skill level impact the average salary comparison presented in **Table 2-3**, a separate analysis was completed that compared salary schedules at Pickerington LSD to similar

districts in the area (Canal Winchester LSD, Gahanna-Jefferson CSD, Hilliard CSD, Westerville CSD, and Worthington CSD). Approximately two-thirds of Pickerington LSD employees are licensed/certificated personnel who are paid according to the negotiated teacher salary schedule. **Chart 2-1** provides a visual illustration of how the District's salary schedule for teachers with a master's degree compares to the similar districts in the area.
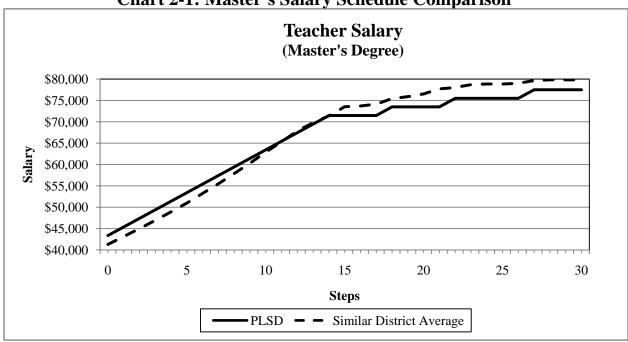
Chart 2-1: Master's Salary Schedule Comparison

Source: Pickerington LSD and peer district negotiated agreements

As **Chart 2-1** demonstrates, Pickerington's salary schedule for teachers with a master's degree is comparable to the similar districts in the area. For the master's, master's +15, and master's +45 schedules, the three schedules by which the majority of certificated staff are compensated, the total salary schedule cost over a teachers' 30 years of employment is within 1.1 percent of the similar district average. Therefore, differences in average salaries for certificated staff are likely due to experience and/or educational attainment in comparison to other area districts.

Additionally, the support staff positions of building secretary, custodian/head custodian, and special education aide were compared to the same five similar districts. In each of these comparisons, Pickerington LSD had a lower starting hourly rate, a lower ending hourly rate, and smaller average step increases than the similar district average.

Benefits

Pickerington LSD provides employees with a comprehensive health insurance benefit package. The District's medical plan includes prescription drug and vision coverage, and the District provides employees with life insurance and offers dental insurance coverage. **Table 2-4** compares the District's monthly medical premiums and employee contribution rates for FY 2009-10 to the State Employment Relations Board (SERB) averages for the Columbus region.

Table 2-4: Medical Premium and Employee Contribution Comparison

	Premiums		Employee Contributions	
	Single	**Family**	**Single**	**Family**
Pickerington LSD	$510.99	$1,170.22	2.9%	6.4%
SERB Columbus Region Average	$508.78	$1,291.92	13.6%	15.7%
Difference	**$2.21**	**($121.70)**	**(10.7%)**	**(9.3%)**

Source: Pickerington LSD and the 17th Annual Report on the Cost of Health Insurance in Ohio's Public Sector (SERB, 2009)
Note: Reported SERB averages represent FY 2008-09 average insurance premiums that were increased for FY 2009-10 based on historical increases in premiums.

As shown in **Table 2-4**, the District's premium for single coverage is in line and the premium for family coverage is less than the SERB average for the Columbus region. However, the percentage employees contribute toward the cost of medical insurance is significantly less than what the average public sector employee contributes in the Columbus region. This is due to a provision in the negotiated agreement that caps monthly contributions at $15 and $75 for single and family coverage, respectively. This issue is examined further in the **recommendations** portion of this section.

Pickerington LSD also provides dental insurance for staff members who elect to receive this benefit. **Table 2-5** compares the District's monthly dental premiums and employee contribution rates to the SERB averages for the Columbus region.

Table 2-5: Dental Premium and Employee Contribution Comparison

	Premiums		Employee Contributions	
	Single	Family	Single	Family
Pickerington LSD	$91.16	$91.16	39.7%	39.7%
SERB Columbus Region Average	$42.13	$80.35	13.1%	19.1%
Difference	**$49.03**	**$10.81**	**26.6%**	**20.6%**

Source: Pickerington LSD and the 17th Annual Report on the Cost of Health Insurance in Ohio's Public Sector (SERB, 2009)

As shown in **Table 2-5**, Pickerington LSD pays a flat rate for dental insurance coverage, regardless of single or family designation. Nonetheless, the District's premium rate for dental coverage is above the SERB averages for the Columbus region. While the premium cost of dental insurance is higher than the peers, the District negotiated a maximum employer contribution of $55 toward the cost of dental insurance. This has insulated the District from the higher premium costs for dental insurance, and resulted in higher employee contribution rates compared with other public sector employees in the Columbus region. The high premiums for dental insurance are likely due to the District's negotiated dental plan design. While Pickerington LSD could work with employees to reduce dental insurance premiums, a financial benefit would not be realized by the District unless premiums dropped below $55 per month.

The District also provides each certificated and support staff employees with $40,000 of life insurance coverage. Administrators receive additional life insurance coverage, based on their position. Pickerington LSD's monthly life insurance premium for each $1,000 of coverage is less than the monthly premium for life insurance for the State of Ohio.

Pickerington LSD also pays premiums to the Ohio Bureau of Workers' Compensation. The cost of premiums paid by an organization for workers' compensation coverage is largely dependent on the amount of claims made by employees in the past. The District has worked to limit the cost of workers' compensation through participation in a local safety council and the implementation of a transitional work program. These initiatives are designed to avoid workplace risks and mitigate the possibility of employees filing claims. Pickerington LSD also participates in group rating, which translates into significant discounts on workers' compensation premiums. Between FY 2007-08 and FY 2009-10, the District reduced its premium rate and the cost of workers' compensation coverage.

Collective Bargaining

Certificated personnel are represented by the Pickerington Education Association (PEA), which is affiliated with the Ohio Education Association (OEA) and the National Education Association (NEA). The negotiated agreement was in effect between July 1, 2008 and June 30, 2010, however, it was extended for one year with no increase in base salaries. PEA represents all full and part-time certified employees including teachers, guidance counselors, nurses, librarians/media specialists, social workers, therapists, and instructional support coaches.

The District uses interest based bargaining to facilitate negotiations with certificated staff. Negotiating teams are limited to five (5) members each for the District and the PEA. Both sides may agree to change this size by mutual agreement. Each of the District's negotiating team members, which typically includes two Board members and other administrators designated by the Superintendent, receive training on the use of interest based bargaining.

While certificated staff are represented by a bargaining unit, the District's support personnel are not unionized. Support staff receive the same negotiated wage increases and benefit packages bargained for by certificated staff. Board policy provides guidance for provisions, such as vacation leave, that are not included in the certificated negotiated agreement.

During the performance audit, certain contractual and employment issues such as sick leave accrual and severance payments were found to be generally in line with provisions identified in the negotiated agreements of similar districts in the area. Contract provisions that are costly or restrict management's ability to efficiently operate the District are presented in the **recommendations** portion of this section.

Special Education

For FY 2008-09, Pickerington LSD reported 877 special education students, which was the same percentage of the total student population when compared to the peers. The peer districts, however, mainstream a larger percentage of special education students in regular education classrooms (84.3 percent for the peer average compared to 73.7 percent for Pickerington LSD). Despite mainstreaming a smaller percentage of special education students, the District's direct special education cost per student was 4.4 percent less than the peer district average, or $473 less per special education student.

Pickerington LSD also maintained a lower student to teacher ratio. The special education student to teacher ratio at Pickerington LSD was 10.8:1 compared to the peer average of 12.7:1 in FY 2008-09. However, Pickerington LSD has a more severely handicapped special education student population than the peers, with 45 percent of its special education students requiring classrooms environments with student to teacher ratios of 12:1 or below, compared to 38 percent for the peer average. The District has not pursued full inclusion of special education students in regular classrooms. While inclusion is more prevalent at the high school, middle school, and junior high, elementary students are still typically provided special education services outside of the regular classroom setting. **Table 2-6** illustrates the District's special education expenditures in comparison to the peers.

Table 2-6: FY 2008-09 Special Education Comparison

	Pickerington LSD	Peer Average	Variance
SPECIAL EDUCATION POPULATION			
Special Education Students	877	699	179
Special Education Students as % of Total Students	8.8%	8.8%	0.0%
% of Special Ed. Students Mainstreamed into Regular Classrooms	73.7%	84.3%	(10.6%)
SPECIAL EDUCATION EXPENDITURES PER SPECIAL EDUCATION STUDENT			
Direct Special Education Costs	$9,080,460	$8,388,945	$691,515
Direct Special Education Costs Per Special Education Student	$10,354	$10,827	($473)
Special Education Portion of Support Services	$2,778,766	$2,310,149	$468,617
Support Service Portion Per Special Education Student	$3,168	$3,194	($25)
Special Education Portion of Regular Instruction	$3,199,843	$2,701,032	$498,811
Regular Instruction Portion Per Special Education Student	$3,649	$3,778	($130)
Total Special Education Expenditures (minus Transportation)	$15,059,069	$13,400,126	$1,658,943
Total Special Education Expenditures (minus Transportation) Per Special Education Student	$17,171	$17,799	($628)

Source: ODE Special Education Fiscal Accountability Report, FY 2008-09

Pickerington LSD has implemented best practices that assist districts in reducing and controlling special education expenditures while maintaining high quality educational services to special needs students. Specific cost containment efforts include the following:

Response to Intervention: The District provides services to at-risk students at an early age to prevent the need for special education services later in life.

Instructional Coaches: Pickerington LSD provides instructional support to classroom teachers. Instructional coaches at each building assist regular classroom teachers in providing a greater spectrum of services to students. Instructional coaches provide professional development and instruction to teachers with the goal of reducing the need for remedial specialists and small group instructors for students who fall behind. It also allows regular classroom teachers to serve gifted students, as the District's elementary-level gifted teachers are not able to provide daily instruction to all gifted students.

Annual Special Education Staffing Assessments: The District evaluates the location of special education classes and student to teacher ratios in each special education classroom, in order to determine if there are any opportunities to combine services and locate students in schools close to their home school and/or where the most students with a particular special education designation attend school.

Concentration of Specialized Services: It offers learning disabled services in each building. However, multiple disability, emotionally disturbed, autistic, and cognitive delay classrooms are not located at every building. Instead, classes are offered in the building where a majority of special education students with a particular classification attend. Pickerington LSD also uses external resources including local private academies for particular special education services and Columbus-based schools for the blind and deaf.

Individual Education Programs (IEPs): Pickerington LSD ensures that IEPs state that assistance will be provided, but do not specify that students will receive one on one instruction with an individually assigned aide. It provides classroom aide staffing above minimum requirements which the Director of Special Education indicated reduces parental requests for individual aides.

Recommendations

2.1 Implement a comprehensive staffing plan.

Pickerington LSD should develop a formal and comprehensive staffing plan at the District level that addresses current and future staffing needs. Establishing staffing allocations for administrative, certificated, and support staff will assist the District in better planning for the future. Additionally, the development of a formal staffing plan will help Pickerington LSD ensure it is in compliance with State and federal requirements. The development of a staffing plan will also help formalize the extensive program and building level staffing data gathered by the District; identify and achieve staffing goals; and better communicate those goals to its building administrators and the public.

Pickerington LSD has developed informal processes for analyzing staffing and is using data to make decisions to eliminate costly programs or classes with low enrollment. While these steps can assist the District in developing a staffing plan, a formal plan that meets recommended practices has not been implemented, though it is reportedly under development. In the past, the District has developed staffing plans, but they represented specific plans for specialized teaching staff in a given year, rather than general staffing ratios and goals that transcend specific years.

The Superintendent noted that the District informally examines staffing levels at each building and works to eliminate costly programs. The District is guided by its *Organizational Success Drivers,* a set of goals for Pickerington LSD administrators based on an economic decision making model. Moreover, the Superintendent has developed specific staffing spreadsheets by building, which administrators use to identify inefficient or costly programs, classes, and staffing strategies. Likewise, custodial and maintenance staff is informally based on the square footage cleaned/maintained. Each of these elements comprises a component of formal, strategic staff planning and Pickerington LSD could use these elements in developing a formal, multi-year staffing plan.

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

Lakota Local School District (Butler County) has established a staffing plan, which incorporates staffing allocation factors such as State and federal regulations, workload measures, and other leading practices. In general, staffing benchmarks in this plan is calibrated to available General Fund revenues, which assist the district in ensuring a balanced budget. Staffing plans can not only be used as guides for determining staffing levels on an annual basis, but aid in determining mid-year staffing levels should changes be necessary. The Cincinnati City School District (Hamilton County) has developed a staffing plan that incorporates State requirements,

contractual agreements, available resources, and educational goals. In addition, the plan includes central and site-based administrators in the process and serves as a valuable planning tool for the district's leadership team

Pickerington LSD has developed components of a staffing plan that it has determined would be helpful in making hiring and personnel allocation decisions. As the complexity of operations has increased and funding has narrowed, the District has sought tools to help it better manage personnel decisions. However, like most school districts in Ohio, it has not formalized a strategic staffing plan.

By implementing a formalized, comprehensive and strategic staffing plan, the District can openly communicate staffing strategies and priorities, as well as contingency plans should the District fail to secure sufficient revenue to avoid projected deficits. Furthermore, the District can explain or defend its decisions to hire or reduce personnel based on the objective analysis and clear reasoning that a staffing plan offers

2.2 Eliminate 2.5 FTE administrative positions.

Pickerington LSD should consider eliminating 2.5 FTE administrator positions, which would reduce salary and benefit costs and bring its administrative staffing levels more in line with the peer average.

Table 2-7 compares district and building level administrative staffing at Pickerington LSD to the peer district average for FY 2009-10.

Table 2-7: Administrative Staff Comparison

Full-time Equivalent (FTE) Staff			
	Pickerington LSD	Peer Average	Difference
District Level Administrative Staff (FTE)	22.60	17.58	5.02
Building Level Administrative Staff (FTE)	27.00	19.15	7.85
Total Administrative Staff (FTE)	49.60	36.73	12.87
FTE Staff per 1,000 Students			
Students Educated (FTE)	10,126	8,097	2,029
District Level Administrative Staff (per 1,000)	2.24	2.29	(0.05)
Building Level Administrative Staff (per 1,000)	2.66	2.36	0.30
Total Administrative Staff (per 1,000)	4.90	4.65	0.25
FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students			**(2.5)**

Source: Pickerington LSD and Ohio Department of Education
Note 1: Totals may vary due to rounding.
Note 2: Administrative staff includes operations supervisors for transportation, maintenance, and food service.

As **Table 2-7** indicates, on a per 1,000 student basis, district level administrators are slightly below the peer average. However, the level of building administrators at Pickering LSD exceeds building level administrators reported by the peer districts. In total, the elimination of 2.5 FTE positions would bring the District's administrative staffing levels in line with the peer average.

Pickerington LSD has both principals and assistant principals at the elementary building level. While school districts often staff assistant principals at middle schools and high schools, it is less common for schools to use assistant principals in elementary schools. Also, because Pickerington LSD does not have a comprehensive staffing plan, it does not have a means to readily examine its administrative staffing or exercise greater control and oversight over its staffing decisions.

A reduction in administrative staffing levels would provide Pickerington LSD with additional General Fund resources to help offset future years' deficits.

Financial Implication: Eliminating 2.5 FTE administrator positions would save the District approximately $200,000 annually in salary and benefit costs.

2.3 Eliminate 11.0 FTE library staff positions.

Pickerington LSD should consider eliminating 11.0 FTE library staff positions, which would reduce salary and benefit costs and bring its library staffing levels more in line with the peer average.

During the course of the audit, the Board eliminated 1.87 FTE librarian and 1.0 FTE library aide positions effective the beginning of FY 2010-11

Pickerington LSD employs both librarians and library aides. According to OAC 3301-35-05, school librarians are considered education service personnel (ESP) and, as shown in **Table 2-1**, the District has more ESP position per 1,000 students than the peer average. **Table 2-8** compares library staffing levels at Pickerington LSD to the peer district average for FY 2009-10.

Table 2-8: Library Staff Comparison

Full-time Equivalent (FTE) Staff			
	Pickerington LSD	**Peer Average**	**Difference**
Librarians (FTE)	10.87	6.43	4.44
Library Aides (FTE)	15.50	6.87	8.63
Total Library Staff (FTE)	26.37	13.30	13.07
FTE Staff per 1,000 Students			
Students Educated (FTE)	10,126	8,097	2,029
Librarians (per 1,000)	1.07	0.59	0.48
Library Aides (per 1,000)	1.53	0.94	0.59
Total Library Staff (per 1,000)	2.60	1.53	1.07
FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students			**(10.8)**

Source: Pickerington LSD and ODE

As shown in **Table 2-8**, Pickerington LSD has more librarians and more library aides per 1,000 students than the peer average. In order to be in line with the peer average, the District would need to reduce 10.8 FTE library staff positions.

Pickerington LSD employs 26.37 FTE library staff and has 14 kindergarten through grade 12 buildings, which means each building has nearly two full-time library staff. This high level of staffing increases overall ESP staffing and costs to the District. Because Pickerington LSD does

not have a comprehensive staffing plan, it has not examined its library staffing or workload relative to internal benchmarks or external measures.

A reduction in library positions would provide Pickerington LSD with additional General Fund resources to help offset future years' deficits.

Financial Implication: Eliminating 11.0 FTE library positions would save the District approximately $330,000 annually in salary and benefit costs.

2.4 Eliminate 5.0 FTE nursing positions.

Pickerington LSD should consider eliminating 5.0 FTE nursing positions, which would reduce salary and benefit costs and bring its nurse staffing levels more in line with the peer average.

Pickerington LSD employs both registered and practical nurses. According to OAC 3301-35-05, registered school nurses are considered ESP and as shown in **Table 2-1**, the District has more ESP position per 1,000 students than the peer average. **Table 2-9** compares total nursing positions at Pickerington LSD to the peer district average for FY 2009-10.

Table 2-9: Nursing Staff Comparison

Full-time Equivalent (FTE) Staff			
	Pickerington LSD	**Peer Average**	**Difference**
Registered Nurse (FTE)	9.00	4.66	4.34
Practical Nurse (FTE)	3.48	1.81	1.67
Total Nursing Staff (FTE)	12.48	6.47	6.01
FTE Staff per 1,000 Students			
Students Educated (FTE)	10,126	8,097	2,029
Registered Nurse (per 1,000)	0.89	0.49	0.40
Practical Nurse (per 1,000)	0.34	0.24	0.10
Total Nursing Staff (per 1,000)	1.23	0.73	0.50
FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students			**(5.1)**

Source: Pickerington LSD and ODE
Note: Totals may vary due to rounding.

As shown in **Table 2-9**, Pickerington LSD has more registered nurses and more practical nurses per 1,000 students than the peer average. In order to be in line with the peer average, the District would need to reduce 5.1 FTE nursing positions.

Pickerington LSD employs 12.48 FTE nursing staff and has 15 school buildings (including the preschool) which equates to each building being staffed by a nurse 80 percent of the time.

A reduction in nursing positions would provide Pickerington LSD with additional General Fund resources to help offset future year deficits. However, the District should ensure that a reduction in nursing staff does not impact its ability to meet IEP requirements.

Financial Implication: Eliminating 5.0 FTE nursing positions would save the District approximately $350,000 annually in salary and benefit costs.

2.5 Develop and implement policies and procedures to ensure staff data is reported consistently and in compliance with ODE guidance.

Pickerington LSD should develop policies and procedures to ensure staff data reported through the Education Management Information System (EMIS) is coded consistently and is in compliance with ODE instructions. The District should also establish and document a process for reviewing and correcting staff data. Persons responsible for collecting and reporting EMIS staff data should work closely throughout the year with the Human Resource Department and building administrators to ensure staff data is accurate and consistent with District policies and ODE guidelines.

EMIS is the State-wide data collection system for Ohio's primary and secondary education. Staff, student, district/building, and financial data are collected through this system. During the review of Pickerington LSD's EMIS staff data, it was determined that the District was not assigning position codes that most accurately reflect the staffing assignments. For example, computer technicians were coded in maintenance positions, special education coordinators, who serve as administrators, were assigned to curriculum support positions, and employees across the District were assigned an "other" position code when a more appropriate position code was available.

In FY 2009-10, the District implemented an Employee Information Sheet to document new and departing employees as well as transfers within the District. While the form included a field for the EMIS position code, the Human Resources Department often left the field blank, allowing the District's EMIS coordinator to assign the position code. Moreover, the District does not review staff EMIS data to ensure employees are assigned the most appropriate EMIS position code, except in such instances as reviewing error reports generated by EMIS, which occur, for example, when a teacher does not have proper credentials.

ORC 3301.0714 contains guidelines for EMIS and includes requirements to report staff, student, district, building, and financial data through this system. Accordingly, ODE has created and maintains a manual which outlines specific requirements for EMIS data submissions. The data collected through EMIS is used for State and federal reporting, funding and distribution of payments, the State's academic accountability system, and the generation of State-wide and district reports.

The Ohio Association of EMIS Professional (OAEP) recommends that data reports be shared with district administrators before EMIS data is finalized, so that they can assist in identifying incorrect or missing data. A representative from the Stark Portage Area Regional Computer Consortium, who presented at the 2006 OAEP spring conference, recommended creating an EMIS team to work together throughout the year in the EMIS data process. Having an EMIS team such as this would provide support to the employees responsible for EMIS data collection and reporting, as information pertaining to specific departments and programs of the District would be more readily available. OAEP recommends the EMIS team include the EMIS professional, superintendent, treasurer, curriculum director, special education director, technology coordinator, building administrators, and staff responsible for staff/payroll data.

Pickerington LSD has not identified accurate EMIS data as a critical process within its information management practices. Therefore, it has not developed processes to ensure the data is entered in a precise and consistent manner. However, as the Evidence Based Model used to determine State funding for schools is implemented and staffing levels by classification become an important data element, it will be critical for the District to report its staffing information accurately.

Using the tools and techniques recommended by OAEP will help Pickerington LSD improve its controls over EMIS data submission and ensure a greater degree of accuracy in its reports. This, in turn, will help ensure that its data correctly depicts conditions at the District and provide for more accurate comparisons of staffing and salary data with peer districts.

2.6 Discontinue paying the employee required portion of retirement contributions for all employees except key administrators.

Pickerington LSD should discontinue the practice of picking up the employees' share of retirement contributions for all employees except its key central office administrators and building principals. While it is not required to do so, it is a common practice for school boards across the State to pay the employee portion of retirement contributions for key administrators. However, it is less common for a school board to pay the employees' required retirement contribution for all administrators, plus certain other employees, and ESC contracted employees as Pickerington LSD does.

Pickerington LSD pays 100 percent of the employee portion of the retirement contribution for 66 people, including all central and building level administrators plus the head school nurse, the network administrator, and 12 contract employees from the Fairfield Education Service Center. **Table 2-10** illustrates the additional cost to the District for the retirement pick up for these employees.

Table 2-10: FY 2009-10 Employee Retirement Pick-Up

Key District Administrators	$117,112
Building Principals	$142,647
Assistant Building Principals	$85,731
Other Central Office Administrators	$108,152
Educational Service Personnel	$25,384
Total Employee Retirement Pick-Up	**$479,025**

Source: Pickerington LSD

As indicated by **Table 2-10**, the District paid nearly $480,000 picking up the employee retirement contributions for select employees in FY 2009-10

Both the State Teachers Retirement Systems (STRS) and the School Employees Retirement Systems (SERS) require employers and employees to contribute specified percentages of the employee's salary to the retirement funds. Picking up the employees' retirement contribution is allowed under State law, but it is a form of compensation that is not transparent to all

stakeholders. While it is a common practice for boards to pay the employee retirement contribution for its key administrators, it is less common for every school administrator and contracted ESC employees to receive this benefit.

The retirement pick up has been negotiated as part of employee compensation. Historically, districts have used this form of compensation as a means to attract candidates for positions and to provide wage increases without increasing the base wage. However, it becomes a "hidden" form of compensation as districts rarely provide employees or constituents information on the total compensation provided to employees.

Paying the employee required retirement contribution for administrators does not promote full disclosure of a public official's total compensation. Moreover, given the District's financial condition, offering this benefit may not be something it can afford.

Financial Implication: By limiting the Board pickup of employee retirement contributions to just key central office administrators and building principals, the District could save about $220,000 annually.

2.7 Eliminate additional compensation paid to ESC contracted employees.

Pickerington LSD should discontinue its practice of providing additional compensation to contracted personnel hired through the Fairfield County Educational Service Center. A benefit of contracting for personal services is the ability of an organization to maintain service levels while limiting salary and benefit costs. Providing additional compensation to contracted employees negates the benefit of contracting for the services.

Educational Service Centers (ESC) provide member districts with a variety of services including supervisory services, curriculum development, professional development opportunities, special education services, and cooperative purchasing. As a local school district, Pickerington LSD is required to belong to the Fairfield County ESC and must provide local funding to the ESC based on a funding formula prescribed in law. In exchange for these required payments to the ESC, Pickerington LSD receives 4 FTE lead instructional advisors, who function as the District's curriculum staff. Pickerington LSD also contracts with the Fairfield ESC for additional services. In FY 2009-10, the District contracted for 6 FTE psychologists, a work study coordinator, and a special education supervisor.

The total amount paid to the Fairfield County ESC in FY 2009-10 for these 12 FTE positions was approximately $982,000, with the majority of this cost, $625,500, resulting from its service contract with the ESC. The cost of this service contract covers the contracted employees salary and benefits as paid by the ESC, as well as an administrative fee charged by the ESC. However, in addition to this amount paid to the ESC, Pickerington LSD provides additional compensation to these ESC employees.

According to *Contracting and Procurement in the Public Sector* (Minnesota Office of the Auditor of State, 2005), one reason to contract for services is to raise or maintain service levels while lowering costs. *Supply Chain Management Review* notes that contract employees also

provide employers flexibility in hiring and staffing that would take longer or be impossible with hourly or salaried employees. In addition, the overall cost of paying for contracted labor is less expensive than the cost of paying hourly or salaried employees to do the same job. Pickerington LSD benefits from a cost saving for its contracted employees as the base contract cost is substantially lower than the cost for the District to directly employ personnel. However, the District undermines this cost savings by providing over $280,000 in additional salary and benefit payments to its ESC contracted employees.

According to District administrators, the practice of providing an additional salary and retirement pick-up to ESC employees pre-dates the current Superintendent and Treasurer. However, the rationale of the decision to provide additional compensation to ESC employees is thought to be that the salary schedule for certificated staff at the ESC is less than what employees are compensated at Pickerington LSD. In a perceived effort to retain contracted staff and provide compensation equitable to District employees, Pickerington LSD developed a formula that calculates the difference between the ESC provided compensation and what the contracted employee would be compensated at under the salary schedules at Pickerington LSD.

For example, a psychologist with nines years of experience on the master's +30 salary schedule is compensated $57,491 by the ESC. However, the same employee at Pickerington LSD, with an extended contract would be provided an additional $14,620, so the District pays this additional compensation. Additionally, Pickerington LSD pays the employee share of retirement (a pick-up) on this amount.

By providing additional compensation and retirement pick up, Pickerington LSD is mitigating the financial benefit of using the services provided by the ESC.

Financial Implication: Discontinuing the practice of providing ESC contracted employees with additional compensation would reduce expenditures by approximately $280,000.

2.8 Increase employee health insurance contributions.

Pickerington LSD should seek to renegotiate employee medical insurance contributions with the goal of increasing contributions to a level more in line with the average employee contributions reported by the State Employee Relations Board (SERB) for the Columbus region.

Table 2-11 illustrates Pickerington LSD's medical insurance costs based on FY 2009-10 plan enrollment, premiums, and employee contributions.

<h3 style="text-align:center">Table 2-11: Pickerington LSD Medical Insurance Costs</h3>

	Single	Family	Total
Monthly Premium	$511	$1,170	
Employees Enrolled	212	721	933
Monthly Health Insurance Cost	$108,330	$843,729	$952,059
Employee Contribution (Monthly)	$ 3,180	$54,075	$57,255
District Contribution (Monthly)	$105,150	$789,654	$894,804
Total Annual District Cost			**$10,737,642**

Source: Pickerington LSD

As shown in **Table 2-11**, total medical insurance costs to the District was approximately $10.7 million in FY 2009-10, which is 94.0 percent of the total cost for medical insurance.

Based on the number of employee enrolled in single and family medical insurance coverage in **Table 2-11**, Pickerington LSD's costs would be more than $1.0 million less if its employee contribution rates were equal to the SERB average for the Columbus region of 13.6 percent for single plans and 15.7 percent for family plans shown in **Table 2-4**.

Though Pickerington LSD has premium rates that are in line or less than the average cost of medical insurance premiums reported by SERB for the Columbus region, employee contributions toward the cost of medical insurance are significantly less than the SERB average for the Columbus region. This is due to language in the certificated negotiated agreement, which caps employee contributions at $15 and $75 per month, for single and family coverage. As a result, employee contributions in FY 2009-10 equated to 2.9 and 6.4 percent of monthly premiums for single and family coverage. While certificated and support staff will continue to pay a maximum of $15 or $75 per month in FY 2010-11, administrators at the District will begin to contribute 20 percent toward the cost of medical insurance, for both single and family coverage.

Increasing employee contributions would help Pickerington LSD offset the rising cost of health insurance. This could provide the District with needed financial relief for the General Fund.

Financial Implication: By increasing employee contributions for medical insurance for single and family coverage to the SERB average for all District personnel, Pickerington LSD could save approximately $1.0 million based on FY 2010-11 data

2.9 Renegotiate restrictive collective bargaining agreement language.

Pickerington LSD should attempt to renegotiate provisions in its certificated bargaining agreement that exceed what similar districts in the area offer or that unnecessarily restrict management's ability to efficiently manage the District. Provisions that require certain staffing levels be maintained at a certain threshold are particularly costly to the District.

Management decisions regarding staffing levels for regular classroom teachers are restricted by provisions in the District's certificated bargaining agreement. The agreement sets maximum class size as follows:

- Elementary (K-4) and Departmentalized Classes: 26 pupils per class
- Elementary (5-8) and Departmentalized Classes: 28 pupils per class
- Grades 9-12: 30 and no more than 170 students per day
- Grades K-8: 30 students maximum per class
- Grades 9-12: 32 students maximum per class
- Grades 7-12 - Physical Education 32 - maximum per class

If these class sizes are exceeded, the District must compensate the teacher in addition to the regular salary outlined in the collective bargaining agreement. Specifically, Pickerington LSD grade K-6 teachers can receive an additional $30 per week for each student in excess of the maximum. Moreover, for each student over the specified maximum, teachers in grades 7-12 and grade K-6 team teaches receive $20 per week. These contract provisions do not appear to be in conflict with OAC 3301-35-05, which states the ratio of teachers to students district-wide shall be at least one full-time equivalent classroom teacher for each twenty-five students in the regular student population.

Additionally, the medical, prescription drug, and dental insurance plan designs are specified in the District's collective bargaining agreement with certificated staff. Having insurance plan details specified in bargaining agreements limits the District's ability to control health insurance costs, despite the provision that requires decrements to the health insurance plan if premium rates increase more than 12 percent. While Pickerington LSD has an insurance committee, its role is generally limited to educating employees and Board members about health insurance issues.

Collective bargaining agreements that require certain class sizes or work hours, or that staff be assigned in specific ways, limits the Board's ability to adjust staff levels based on student populations and increase staffing costs. Moreover, only two of the five similar districts negotiated agreements examined had restrictive language regarding class sizes. In fact, at Hilliard CSD, the District negotiated a provision which commits to keep class sizes at a manageable and workable levels, the negotiated agreement does not include specific student teacher ratios. Moreover, class sizes at Hilliard CSD are not grievable, arbitral, or subject to unfair labor practice charges.

Likewise, many school districts have insurance committees with representation from bargaining units that propose changes to plan design, insurance carriers or networks, and plan administration. Using insurance committees to guide plan design and employee/employer cost sharing ensures adequate labor representation in the decision-making process and can enhance labor/management collaboration in negotiations surrounding health insurance benefits.

Maximum class size provisions and health insurance plan design were items negotiated by the District and the certificated collective bargaining association in prior contract periods. Once established, provisions such as these are difficult for districts to negotiate out of the collective bargaining agreement.

Collective bargaining typically requires trade-offs and compromises. Negotiated agreements can also be considered living documents and, as such, may include several different variations of ideas belonging to previous school boards and negotiators. As a result, the agreements may contain provisions that affect the District in a variety of ways, both positively and negatively. Negotiated agreements that provide benefits to employees beyond what is required or typically offered in other school districts, creates an additional and unnecessary financial burden to the District. In addition, provisions that are overly restrictive or complicated make it more difficult for school boards and administrators to efficiently manage district personnel and functions. Any progress made through negotiations that would make contract provisions more cost effective or restore management rights, would be beneficial to the Board and its constituents.

2.10 Develop and implement an employee handbook to convey District policies, procedures and expectations.

Pickerington LSD should create and adopt a staff handbook that contains a consistent set of personnel-related policies, procedures, and expectations. The staff handbook would serve as an informational resource, provide consistent communication regarding personnel-related matters and strengthen internal communications between the District and its employees.

The District does not have a staff handbook in place for employees. It uses the certificated agreement and Board policy to guide certain employment policies, such as leave time accrual and use.

According to the *Employee Handbooks: Making Them Worth the Trouble* (HR Manager's Legal Reporter, 2000), the staff handbook is the most effective formal means of communication between employer and employee. A staff handbook can be integral in communicating to employees about what the organization expects for them, and what they may expect from the organization. Specific policies and guidelines, employee expectations, methods of employee evaluation, miscellaneous benefits, and other relevant organizational procedures can all be included in employee handbooks. While there are no federal laws requiring employers to publish employee handbooks, these communication vehicles serve as an important tool for supervisors to provide clarity about policies and procedure and promote consistency within the organization.
The Society for Human Resource Management's (SHRM) *Preparation of the Employee Handbook* (2002), indicates that the employee handbook should present general information, such as the philosophy of the organization and strategic plan, as well as specific employee information and working environment. Moreover, because the purpose of the handbook is to communicate relevant and important information to employees in a clear manner, upon completion of an employee handbook, a copy should be provided to each employee and each employee should sign an acknowledgement confirming the receipt and reading of the handbook.

As Pickerington LSD has grown as a District, it has not identified the beneficial outcomes of developing and implementing an employee handbook. Instead, because of minimal prior issues with employees, it has relied on the certificated agreement to govern personnel management practices.

A staff handbook provides District administrators with a tool to communicate expectations and provide staff with a heightened awareness of the roles and responsibilities related to their positions. The adoption of policies and the creation of a method to keep staff apprised of workplace guidelines can help change the organizational culture to reflect the goals detailed in the District's mission statement. The absence of a staff handbook hampers the ability of the District administration to establish standards of employee conduct and procedures for a variety of routine tasks.

2.11 Develop and implement a routine process to update job descriptions.

Pickerington LSD should establish a process for the regular review and revision of employee job descriptions. This will ensure all job applicants, employees, supervisors, and other stakeholders have accurate and consistent information about District job parameters, key functions and tasks, and expectations.

Pickerington LSD has job descriptions for all employees. A review of these documents indicated that while selected job descriptions had been updated in the last two to three years, the last complete review and revision of job descriptions occurred in 2001.

According to *How to Write Job Descriptions* (Business and Legal Reports, 1993), job descriptions work to clarify who is responsible for what within an organization and work to define various relationships. Job descriptions help ensure employees understand the responsibilities of their positions, and aide job applicants, employees, supervisors, and human resource professionals from recruitment to retirement. Moreover, job descriptions provide a basis for job evaluations and compensation decisions. As such, a crucial factor in maximizing the benefit of job descriptions is the procedure for keeping descriptions up-to-date. The dynamic nature of state and federal mandates require regular review of job descriptions. An obsolete job description is not only worthless but also may actually be harmful to the organization. Therefore, every organization should have a formal schedule for reviewing all job descriptions. While a yearly review is optimal, as a general rule, job descriptions should be reviewed and revised (if necessary) when, the job content changes, there is an organization structure change, or the incumbent of a unique position leaves that job. Such review should include human resource professionals as well as the supervisor of the job description being reviewed.

The District, like many public-sector entities, has not recognized the benefits of using up-to-date position descriptions to communicate job parameters and expectations. Therefore, it has not made a concerted effort to ensure its job descriptions are accurate and complete.

Maintaining job descriptions requires a commitment by the District and the belief and value of such documents have in shaping an organization. Developing a process to review job descriptions on a more regular basis will help ensure that Pickerington LSD is effectively communicating expectations with job applicants, incumbent employees, supervisors, and other stakeholders. Moreover, providing a clear direction to employees through up-to-date job descriptions will assist Pickerington LSD in maintaining an efficient workforce.

2.12 Improve employee attendance and reduce sick leave use.

Pickerington LSD should begin to measure the cost of sick leave and work to reduce the amount of sick leave used by its employees. Setting targets for staff attendance and opening a dialogue with employees about the causes of sick leave and the direct and indirect costs of sick leave may help the District reduce leave usage and substitute costs.

Certificated and support staff at Pickerington LSD receive 15 sick days per year with a maximum sick leave accrual of 260 days. When requesting planned sick leave or after an unplanned use of sick, a written, signed statement is required, indicating the reason for the use of sick leave. If there is a pattern of sick leave use, a reasonable suspicion of sick leave abuse, or sick leave for five consecutive days, the Superintendent may require written certification from the employee's physician to justify use of sick leave.

The Ohio Department of Administrative Services (DAS) tracks and reports sick leave usage among State employees. **Table 2-12** compares Pickerington LSD's administrator, certificated, and support staff leave usage for FY 2008-09 to the DAS state average for the same year.

Table 2-12: Sick Leave Comparison

	Sick Leave Use (in Days)
Administrative Staff	11.63
Certificated Staff	9.42
Support Staff	8.61
Pickerington LSD Average	**9.28**
State Employee Average	**7.22**
Difference	**2.06**

Source: Pickerington LSD FY 2008-09 Leave Usage Report and DAS State averages

As shown in **Table 2-12**, employees at Pickerington LSD, on average, used more sick leave than the DAS average. Moreover, the District does not have a formal process to monitor leave use or use available information to help identify potential sick leave abuse.

According to *Absenteeism: Measure Costs, Adjust Incentives, Change Behaviors* (SHRM, 2007), without the means to measure and analyze the cost and impact of employee absence, particularly as related to lost productivity and reduced profitability, entities run the risk of under-investing in health interventions, including wellness, prevention, disease management, and other programs. Employers need to see that all lost time is connected. For example, employees who have frequent intermittent absences appear to be three to four times more likely to go out on short-term disability. In addition, employees out on short-term disability are likely to be larger-than-average consumers of group health benefits. As a result, employers should measure the impact of absenteeism.

One measure of absenteeism is to express cumulative lost time in terms of FTE positions. At Pickerington LSD, the sick leave used in excess of the DAS State averages equates to 11 FTEs. Other ways to view absenteeism in aggregate include the cost of substitutes hired when leave is used by certificated staff, or the square footage custodial employees could have cleaned during

leave time. What is important is that the District develop some measurement of sick leave usage and the impact of absenteeism.

Additionally, determining if and why employees exploit leave policies is discussed in the article *Sick Leave Abuse: A Chronic Workplace Ill?* (American Society for Public Administration Times, April 2002). Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues.

According to a survey on absenteeism by SHRM and Mercer, LLC, unplanned absenteeism leads to a 21 percent productivity loss. The study recommended that employers start a dialogue about the direct and indirect costs of sick leave. It is important that employers share with employees the real cost of sick leave and how absenteeism is impacting organizational performance. For example, at Lakota (Butler County) LSD's Union Elementary, student and staff attendance is monitored monthly and a target of 97.5 percent attendance has been set for both groups. During staff meetings, the building principal shares attendance measures by employee group, as well as student attendance, as a way to communicate the importance of attendance to employees.

High sick leave use can be related to several factors, including low morale, poor employee health, and organizational culture. Pickerington LSD has not identified the cost of lost work associated with sick leave use or communicated that cost to its employees. Because the District and its employees do not have a clear understanding of the impact of high sick leave use, there is no disincentive or penalty associated with the use of sick leave time.

High amounts of sick leave usage can result in decreased productivity and can cause the District to incur additional substitute costs. In addition to substitutes, costs may include missed deadlines, sinking morale, lower productivity, and even declining student performance on State examinations. The District should continue to enforce the sick leave provisions in the negotiated agreement. More importantly, it should better track and measure the cost of sick leave and communicate with employees about the causes for the higher level of sick leave use and ways that sick leave use can be reduced. Beginning in FY 2010-11, the District is implementing an automated substitute placement and absence management system (Aesop). Aesop should help the District better track absences and use of substitutes, and may reduce the cost of absences and substitutes over time.

Financial Implication: If Pickerington LSD reduced its rate of certificated absences to the DAS average (eliminating two absences that require a substitute), it could potentially avoid substitute costs of about $110,000 annually. Additional savings could likely be attained through reductions in sick leave usage by classified employees.

2.13 Develop a mechanism to solicit employee feedback.

Pickerington LSD should conduct an annual survey of its employees as a formal method to solicit feedback, determine employee satisfaction, and assist the District in determining areas for improvement. Climate surveys provide employees with a formal mechanism to

provide feedback on various issues within the District. If used properly, employee feedback provides information that can lead to changes and result in a more productive work environment.

The District does not employ any formal mechanisms to evaluate work climate, gauge job satisfaction, or solicit employee feedback. While departing employees are able to provide feedback through an exit interview with the Human Resources Department, an organization wide employee survey is not in place.

According to the Society for Human Resource Management's (SHRM) *Soliciting Employee Feedback: Getting Results* (2004), an organization can only be as good as its employees. Therefore, it is extremely important to solicit their feedback and quickly respond to their needs, their ideas, and their suggestions. Asking employees what they are thinking can allow for higher retention rates, lower absenteeism, improved productivity, better customer service, and better morale. Soliciting feedback should be a regular part of the HR function, and surveys are the most effective way to tap into the thoughts of the workplace. Channels that are perceived as open and having high levels of responsiveness are likely to be able to lead to a higher level of employee satisfaction. Maricopa County, Arizona has adopted an employee survey that could serve as a model for Pickerington LSD.

Without effective feedback on working conditions and climate, the District may experience difficulty in finding effective ways to improve employee morale. Developing a process for evaluating work climate will provide valuable feedback, which will help the District effectively target areas for future improvement. These surveys could identify overall satisfaction with District operations, specific department performance, or individual school and neighborhood issues. Implementing an employee survey would help the District administration to better identify and understand the concerns of employees.

3. Technology

Background

This section of the performance audit focuses on the technology functions in Pickerington Local School District (Pickerington LSD or the District). The objective of this section is to assess the efficiency and effectiveness of technology utilization and management. Technology utilization practices and leading practice information from relevant sources are used for comparisons throughout this section of the report. These sources include the Consortium for School Networking (CoSN), the International Society for Technology in Education Foundation (ISTE), the National Center for Education Statistics (NCES), Ohio SchoolNet, and the Auditor of State Best Practices.

Organizational Function

Technology implementation and management is guided by a formal technology plan crafted by Pickerington LSD's Technology Department. The three-year technology plan (FY 2008-09 – FY 2010-11) is required by eTech Ohio and serves as the District's technology plan. It provides a review of how the District has implemented technology, and identifies goals related to curriculum alignment and instructional integration; technology policy, leadership, and administration; and technology infrastructure, management, and support. While the District is working towards the goals outlined within the technology plan, it has not fully implemented the five-year replacement schedule for technology contained in the technology plan. On an annual basis, the Technology Director (Director) proposes a line item in the budget for technology purchases. Depending on the amount contained in the approved budget, the Director may purchase new hardware in bulk to take advantage of volume discounts.

The Technology Department is comprised of a director, a secretary, a systems support specialist, a network administrator, a help desk manager, four technicians, three instruction support coaches, an assistive technology specialist, and a data specialist. The EMIS coordinator also reports to the Technology Director but is not considered part of the Technology Department. The Board has eliminated one technician position and reassigned one instruction support coach to a building level position for FY 2010-11. Not all Technology Department staff provide end user support. The help desk manager oversees the technicians who provide end user support by repairing hardware. The technology resource leaders (instructional coaches) are certificated teachers who are assigned specific buildings. They spend their time at the buildings researching technology needs and helping teachers implement technology solutions. The assistive technology specialist works with visually impaired students and other students with special needs. This specialist splits work time between helping determine the right technology for special needs students and assisting teachers with computer support. The data specialist works with the EMIS coordinator and facilitates the collection and use of data in the school district by maintaining and supporting systems that make data readily available to end users.

According to Pickerington LSD's computer inventory, there are 3,836 computers in the District. The ratio of technology support staff to computers for FY 2009-10 was 404 to 1. After the FY 2010-11 technology staff changes, the ratio of support staff to computers will be 511 to 1 based on 7.5 FTE end user support staff. The Consortium for School Networking (CoSN) recommends a computer support ratio of one person for every 500 computers in a closely managed networked environment, but recognizes that technology-staffing levels vary, depending on the special needs and circumstances of the district.

Network Infrastructure and Security

Pickerington LSD belongs to the Metropolitan Educational Council (MEC), which serves as the District's Information Technology Center (ITC) and houses its financial data system. The District is connected to MEC through a 100 Mb Ethernet, which also provides internet service to all of the District's facilities. In addition, the District contracts with another ITC, the Tri-Rivers Educational Computer Association (TRECA) for its student data information systems. The District is able to contract with TRECA at a lower cost for this system.

The Technology Department uses a commercial software program that allows technology staff to provide assistance from a remote location, thus reducing the time employees spend traveling to buildings and allowing for management of the network from a central location. Additionally, the District is able to load and manage software programs centrally. Rather than manually loading software on individual computers, software is imaged onto the network computers though regular updates from the District's central technology location.

The District's network architecture, which connects each building centrally, allows for a closely managed network operation. The network is equipped with remote access technology. Similar to the remote desktop application, the District schedules regular updates and uses off-peak network hours to push anti-virus and system updates. The District also maintains firewalls and filters, which work to block harmful data entering the network. Additionally, the District works to ensure network security by limiting user access to the system, and by enforcing an acceptable use policy. Because of these activities, Pickerington LSD technology personnel reported there have been no major security breaches or threats to the integrity of the network system. However, while the District has procedures in place to ensure the physical security and policies that limit user access to the network, it does not have a formal plan in place in the event of an emergency or system failure.

The Director monitors bandwidth throughout the year and then purchases bandwidth based on levels that sufficiently provide service to the schools and administrative buildings. Monitoring the rate of use and bandwidth provided allows the Director to make sound decisions on the capacity of the network. According to the District's infrastructure diagram, its base from the MEC switch has a 150 Mb bandwidth. This runs to the District's multi-point ATT centralized cloud. From the cloud, the bandwidth to each school is approximately 10 mb except for high school which is 50 Mb.

According to the Bandwidth cost sheet, the MEC provides the following bandwidth:

- 100 Mbps to Long Street (Pickerington Elementary/Office);
- 150 Mbps to Pickerington Elementary/Office;
- 100 Mbps to Central High School;
- 100 Mbps to North High School;
- 20 Mbps to Ridgeview Junior High;
- 10 Mbps to Heritage, Violet, Lakeview, Harmon, Fairfield, Tussing (Elementary Schools) and Diley Middle School; and

The bandwidths allocated to the District schools are appropriate when compared to recommendations from the State Educational Technology Directors Association based on the size of each building. According to the bandwidth charts for the entire District WAN and high schools, the District's use of bandwidth is lower than the bandwidth that is provided. According to the charts, the utilization has been approximately 50 percent of the bandwidth available at peak usage. Pickerington LSD is contemplating adding more users from the community and it appears that the bandwidth in place is sufficient and could accommodate additional users without causing a strain on the District's network.

Software and Hardware

The District contracts with MEC for its accounting (USAS) and payroll (USPS) system support and with TRECA for its educational management information system (EMIS) and student information system and support. TRECA provides the District with an electronic Student Information System (eSIS) which is tailored to its specific needs. The District also uses several other ancillary software packages for transportation (which is owned by the contractor), professional development, and personnel management. In order to more appropriately manage its multiple software applications, the Technology Department has worked to internally integrate software, increasing the functionality and efficiency of the District's work processes.

Pickerington LSD has software purchasing policies and a software approval process, and manages the use of printers in the District. All software must be installed by the Technology Department. The District also uses network laser printers and does not support inkjet printers at the District level. It takes into consideration the total cost of ownership when making technology purchases and is mindful of the lower ongoing costs of supporting and maintaining laser printers over inkjet printers.

Table 3-1 shows the District's computer distribution and average age of computers on a per building basis.

Table 3-1: Pickerington LSD Computers per Building Analysis

School	Number of Computers	Enrollment	Students Per Computer	Benchmark Avg.	Difference	Average Year Computers Were Purchased
Elementary						
Fairfield	157	539	3.4	5	1.6	2004
Heritage	138	440	3.2	5	1.8	2005
Pickerington	137	565	4.1	5	0.9	2005
Sycamore Creek	160	662	4.1	5	0.9	2009
Toll Gate	163	565	3.5	5	1.5	2009
Tussing	212	686	3.2	5	1.8	2005
Violet	153	405	2.6	5	2.4	2004
Middle						
Diley	242	569	2.4	5	2.6	2006
Harmon	236	606	2.6	5	2.4	2006
Toll Gate	200	496	2.5	5	2.5	2009
Junior High School						
Lakeview	339	844	2.5	5	2.5	2004
Ridgeview	231	805	3.5	5	1.5	2005
High School						
Pickerington Central	439	1,622	3.7	5	1.3	2004
Pickerington North	484	1,832	3.8	5	1.2	2005
Grand Total	**3,291**	**10,636**	**3.2**	**5**	**1.8**	**2005**

Source: Pickerington LSD Technology Department Inventory and eTech Ohio students to computer ratio.

According to the student computer analysis, the District has 3.2 students per computer, which is below the eTech Ohio benchmark of 5:1. Although the District's overall ratio of students to computers meets the industry benchmark, **Table 3-1** indicates that there are material variances in the distribution of computers between buildings. For example, Lakeview Junior High School has 2.5 students per computer where as Ridgeview Junior High School has 3.5 students per computer. The number of students per computer at the elementary schools ranges from a low of 2.6 to a high of 4.1. The distribution of computers at the middle schools and high schools appear to be equitable.

Table 3-1 also shows that the average age of computers for the District is about 5 years, however nine of the 14 buildings have computers that, on average, are over 5 years old. Moreover, the District does not have a computer replacement policy or formal replacement plan that is linked to its budget. In addition, the District does not have uniform equipment standards and policies and procedures for equipment donations (see **R3.1**).

Recommendations

3.1 Develop and implement a comprehensive hardware policy that meets leading practices.

Pickerington LSD should develop and implement a more comprehensive computer hardware policy that meets leading practices. It should include uniform equipment standards in order to provide consistent hardware to its users, guide the purchasing of new computers, and reduce the cost of support. Additionally, a formal computer replacement plan should be developed and implemented in order to ensure equipment is equitably distributed among schools and serve as a guide for computer replacement. The computer replacement plan should be linked to the District's budgeting process to ensure appropriate funding.

Table 3-1 illustrates variances within the District among its schools in the ratio of students per computer. Likewise, it illustrates a high degree of variance in the age of computers at certain buildings. Pickerington has not routinely examined its allocation and age of computers by building and grade level and, as a result, has allowed variances to develop over the past several years. It also does not have a formal plan in place to ensure equitable distribution of computers or appropriate replacement timeframes for aging hardware. Finally, Board policies do not address uniform equipment standards or computer equipment donations.

Seven Cost Saving Strategies for the IT Funding Crunch (eSchool News Online, 2005) states that schools that standardize computer systems can save money and resources by reducing IT support and computer training costs. When a district uses one computer type and vendor there is more consistency in equipment which may allow it to pay less per unit, not need to stock as many parts, and not need to support a variety of models. A district also might see some advantages when it comes to manufacturer support. In Pickerington LSD's case, the initial cost to replace all models with one consistent model may be substantial and not feasible, though a rolling replacement schedule with strict hardware standards might be achievable. Another recommended cost saving strategy is to take advantage of donated or refurbished computers, which may aid school districts in stretching available technology funds. While there is some debate about the benefits of used equipment, schools clearly need a policy that maps out goals, criteria, and technology specifications for donated equipment. Key issues to consider when implementing a donation program include compatibility with existing hardware and network, and whether the computer will run core instructional programs or access the internet at an acceptable speed.

Because of funding issues and financial constraints, Pickerington LSD has not developed a formal replacement plan tied to its budget. It also has not actively sought donated equipment and, as a result, a specific policy related to donated equipment was not deemed necessary.

A more comprehensive computer hardware policy that provides guidance on uniform equipment standards and replacement schedules should help the District plan for future computer purchases and manage computer donations. A formal computer replacement plan would also help the District identify technology needs; ensure that computer hardware is equitably distributed throughout the schools; and ensure that IT staff can support the equipment deployed.

3.2 Develop and implement a disaster recovery plan.

The District should develop a formal disaster recovery plan that incorporates leading practices outlined by the National Center for Education Statistics (NCES). While the District has tools in place to protect data and critical network applications, developing a disaster recovery plan prepares a school district for recovery from a breach in security, a natural disaster (e.g., fire, flood, etc.), or other catastrophic events. Once developed, the recovery plan should be tested and reviewed annually.

Pickerington LSD's financial information and student information, its two key data sets, are housed within its information technology centers (ITC); the Metropolitan Educational Council (MEC) and the Tri-Rivers Education Computer Association (TRECA). While each ITC has its own disaster recovery plan, the District does not have a formal internal disaster recovery plan that explains how the District will restore normal operations in the event of a disaster or system failure. The District performs data backups and stores information centrally, but it does not have a multi-step recovery plan that outlines specific actions and the persons responsible for those actions in the event of emergency. Therefore, its data is secure, but Pickerington LSD may have difficulty resorting operations in the event of a disaster.

According to *Best Practices* (Auditor of State, Winter 2007), disaster recovery planning is the process an organization uses to prepare for events that disrupt normal operations. A disaster recovery plan, also called a business resumption plan, incorporates the actions an organization anticipates taking when normal operations are disrupted. The main objective of such planning is to help an organization survive disaster and to guide the organization in resuming normal business operations.

According to *Safeguarding your Technology* (National Center for Education Statistics,), it is a good practice to plan for potential security threats in advance, whether it be a system failure, an external intruder attack, or natural disaster. In order to protect an organization, NCES recommends schools develop contingency, or disaster recovery plans. **Table 3-2** displays the process by which organizations can develop and test a disaster recovery plan.

Table 3-2: Key Elements of a Disaster Recovery Plan

Build Disaster Recovery Team	Identify a disaster recovery team that includes key policy makers, building management, end-users, key outside contractors and technical staff.
Obtain and/ or approximate key information	-Develop an exhaustive list of critical activities performed within the district. -Develop an estimate of the minimum space and equipment necessary for restoring essential operations. -Develop a time frame for starting initial operations after a security incident. -Develop a key list of personnel and their responsibilities.
Perform and/or delegate duties	-Create an inventory of all assets, including data, software, hardware, documentation and supplies. -Set up reciprocal agreements with comparable organizations to share each other's equipment in an event of an emergency at one site. -Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay. -Establish contractual agreements with backup sites. -Identify alternative meeting and start-up locations to be in used in case regular facilities are damaged or destroyed. -Prepare directions to all off-site locations. -Establish procedures for obtaining off-site backup records. -Gather and safeguard contact information and procedures. -Arrange with manufacturers to provide priority delivery of emergency orders. -Locate support resources that might be needed (i.e. trucking and cleaning companies). -Establish emergency agreements with data recovery specialists.
Specify details within the plan	-Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done. -Define actions in advance of a disaster. -Define actions to be taken at the onset of a disaster to limit damage, loss and compromised integrity. -Identify actions to be taken to restore critical functions. -Define actions to be taken to reestablish normal operations.
Test the plan	-Test the plan frequently and completely. -Analyze test results to determine further needs.
Deal with the damage appropriately.	-If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.
Give consideration to other significant issues.	-Don't make the plan unnecessarily complicated. -Make one individual responsible for maintaining the plan, but have it structured so that others are authorized and prepared to implement if it is necessary. -Update the plan regularly and whenever changes are made to the system.

Source: National Center for Education Statistics

Contingency planning does not protect the organization from a threat, but instead, explicitly details what is to happen if (when) the computer system becomes inoperable and works to prepare organizations to recovery in a quick and efficient manner. A disaster recovery plan identifies the critical functions of an organization along with the manner in which those systems can be restored following a loss of data. The plan assigns responsibility and works to ensure that relevant parties are fully aware of the process for system restoration.

Pickerington LSD relies on its ITCs and offsite data storage to protect it in the event of a disaster. Though the data would be secure in most instances, resumption of services has not been addressed by the District.

Without a formal plan for disaster recovery or business resumption, District leaders may not be able to appropriately respond and may face difficulty in restoring critical data or services. The creation and testing of a disaster recovery plan provides greater assurance of a quick recovery following a natural disaster or other catastrophic event.

District Response

The letter that follows is the Pickerington Local School District's (Pickerington LSD) official response to the performance audit. Throughout the audit process, staff met with Pickerington LSD officials to ensure substantial agreement on the factual information presented in the report. When Pickerington LSD disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

PICKERINGTON LOCAL SCHOOL DISTRICT
Office of the Treasurer
90 N. East Street, Pickerington, Ohio 43147
Phone: 614-833-2112 Fax: 614-833-2126
www.pickerington.k12.oh.us

December 15, 2010

Mary Taylor, CPA
Auditor of State
Columbus Regional Office
88 E. Broad Street, 4th Floor
Columbus, OH 43215

Dear Auditor Taylor:

On behalf of the Pickerington Local School District's Board of Education and administrative team, we would like to thank you and your staff for the performance audit. The Board of Education voluntarily engaged the Auditor of State to conduct the performance audit, which was focused on the areas of financial systems, human resources and technology.

The primary goal of the audit, from the District's perspective, was to identify areas where we can gain efficiencies and reduce costs. The Pickerington Local School District has always welcomed the opportunity to review operational procedures and to improve efficiencies wherever practical and possible.

The audit report recognizes the district for noteworthy accomplishments. The audit also confirms that the district's expenditures per pupil were below the state average in Fiscal Year 2009, while achieving the state's highest rating of "Excellent with Distinction."

We appreciate the recommendations presented in your report. The recommendations will be considered carefully as we gauge their impact on the district's finances, programs, operations and the quality of educational services. Your report is very timely in light of the financial challenges facing the district, particularly with the grave uncertainty of state funding.

It is important for the users of this information to understand the report and the recommendations contained therein. We believe certain inconsistencies in the coding used for personnel and other expenses in our district versus the peer group districts, may skew the data used in those analyses, and therefore may lessen the value of certain comparisons and conclusions made in the report.

Once again, thank you for providing this service. The Pickerington Local School District will utilize this report in our continuing efforts to deliver excellent education in a cost-effective manner.

Sincerely,

Dr. Karen Mantia
Superintendent

Daniel C. Griscom
Treasurer