



Mary Taylor, CPA  
Auditor of State





Mary Taylor, CPA  
Auditor of State

To the Residents of Pataskala, Etna, and Kirkersville and the Southwest Licking Local School District Board members and administration:

The Southwest Licking Local School District (the District) entered into a letter of arrangement with the Auditor of State (AOS) to conduct a performance audit of selected District operations. The performance audit was designed to determine the status of implementation of the 2006 performance audit recommendations and assess operational efficiency and effectiveness in the areas of financial systems, human resources management and deployment (including required versus elective courses and class size), transportation services and facilities management. Assessments were based on comparisons with peer school districts, benchmarks, and/or leading practices.

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 the District in ensuring efficient operations, the Southwest Licking Local School District is encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared, which includes the project history; the District overview; the scope, objectives and methodology of the performance audit; and a summary of recommendations and a financial implication. This report has been provided to the Southwest Licking Local School District, and its contents discussed with the appropriate officials and administrators. The District has been encouraged to use the results of the performance audit as a resource to further improve its overall operations and service delivery.

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

Sincerely,

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

Mary Taylor, CPA  
Auditor of State

October 14, 2010

# Table of Contents

---

Executive Summary .....	1
1. Human Resources .....	9
2. Required versus Elective Course Offerings .....	31
3. Transportation .....	41
4. Financial Systems and Facilities .....	60
Appendix A: Salaries and Wages .....	78
Client Response .....	91

---

# Executive Summary

---

## Background

On May 26, 2010, Southwest Licking Local School District (SWLLSD or the District) engaged the Auditor of State's Office (AOS) to conduct a performance audit of its operations. This is the second performance audit of SWLLSD conducted by AOS. On March 17, 2005, SWLLSD was placed in fiscal caution by the Ohio Department of Education due to a financial deficit in FY 2004-05. A performance audit was initiated pursuant to Ohio Revised Code (ORC) 3316.031 and 3316.042 and was released on March 23, 2006. The District was released from fiscal caution in December 2005. Based on AOS research and discussions with the Board of Education and District Administration, the 2010 performance audit focused on the implementation status of the 2006 performance audit recommendations from the financial systems and facilities sections, and reexamined the District's human resources, required course offerings, and transportation operations.

### *District Overview*

SWLLSD is located in Licking County and serves the communities of Pataskala, Etna, and Kirkersville. The District operates under an elected Board of Education consisting of five members. In FY 2008-09, it received approximately 38.0 percent of its general operating revenue from the State of Ohio, 57.3 percent from local taxes (income tax and property tax), and 4.6 percent from federal grants and other sources.

SWLLSD operates six school buildings including one high school (Watkins Memorial), one middle school (Watkins), three elementary schools (Pataskala, Kirkersville, and Etna), and a kindergarten center. In FY 2008-09, the District reported 422.6 full-time equivalent (FTE) employees consisting of 22.4 FTE administrators, 206.2 FTE teachers, 88.2 FTE other professionals, 25.1 FTE support staff, and 80.7 FTE operations staff. These employees were responsible for providing educational services to an average daily membership (ADM) of 3,888 students. The regular education student-to-teacher education ratio in FY 2008-09 was 20 to 1. Also in FY 2008-09, the District met 23 of 30 academic performance indicators established by ODE and was categorized as an effective District.

In FY 2008-09, the District's total General Fund expenditure of \$8,136 per pupil was approximately 50 percent higher than the peer district average of \$5,409 (see *methodology* for a description of the peer districts). The District voters approved a 2.5 mill continuous permanent improvement levy in May 2009, but voted against a 9.5 mill (\$5.5 million for ten years) renewal levy and an increase of an emergency operating levy in May 2010. An 8.0 mill renewal

levy and emergency operating levy increase (\$4.5 million for five years) will be on the ballot in November 2010.

## **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 SWLLSD 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. Audit work was conducted between May 23, 2010 and August 31, 2010, and data was drawn from years between FY 2007 and FY 2010.

To complete this report, auditors gathered and assessed data from SWLLSD, conducted interviews with numerous individuals associated internally with SWLLSD and externally with various school districts, identified applicable benchmarks and leading practices, and evaluated data from 15 peer school districts which were used in various sections of the report. The peers included in the financial systems and human resources analyses were Amherst Exempted Village School District (Lorain County); Field Local School District (Portage County); Greenon Local School District (Clark County); Lebanon City School District (Warren County); and Northeastern Local School District (Clark County).

Auditors also used data from Granville Exempted Village School District (Licking County); Lakewood Local School District (Licking County); Licking Heights Local School District (Licking County); Pickerington Local School District (Fairfield County); and Reynoldsburg City School District (Franklin County) for the compensation analysis. These districts represent regional peers which operate in the same geographic region of the State and are therefore affected by similar economic and employment factors. Finally the transportation analyses included comparative data from Defiance City School District (Defiance County); Lancaster City School District (Fairfield County); Madison Local School District (Richland County); Marlinton Local School District (Stark County); and Southwest Local School District (Hamilton County). These districts were identified as having transportation operations most closely resembling those in SWLLSD.

Criteria used in selecting the peers included geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. In addition to peer data, AOS used external organizations to identify compliance requirements, and leading and recommended practices for comparisons. Key external sources included the Government Finance Officers Association (GFOA), the Ohio Revised Code (ORC) and the Ohio Administrative Code (OAC), and other industry organizations. Data from peer school districts and external sources used as criteria were not tested for reliability. Other sources of comparative information and benchmarks included:

- Society for Human Resource Management (SHRM);
- Ohio Department of Education (ODE);
- State Employment Relations Board (SERB);
- Ohio Department of Administrative Services (ODAS);
- American School and University Magazine; and
- National Center for Educational Statistics (NCES).

As a component of this performance audit, auditors conducted follow-up work on the financial systems and facilities-related recommendations issued in the 2006 performance audit. Also, this audit report includes one detailed **Appendix A** which contains compensation analysis tables and charts. The performance audit process involved significant information sharing with SWLLSD, 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 Board and administrators of key issues impacting selected areas, and to confirm preliminary findings. Throughout the audit process, input from SWLLSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, SWLLSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on SWLLSD's comments.

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

## **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.

**1. Human Resources**

- Develop and implement a formal comprehensive staffing plan that addresses current and future staffing needs.
- Eliminate 6.0 FTE administrative positions to achieve a staffing level more comparable to the peer average.
- Eliminate 10.0 FTE regular teachers to bring regular teacher staffing in line with the peers.
- Eliminate 2.0 FTE Educational Service Personnel (ESP) and evaluate its use of personnel in this classification to determine if additional reductions should be made.
- Evaluate the duties of employees coded in the Other Certificated category to determine if the potential for reductions exists.
- Renegotiate salary schedules for classified staff.
- Discontinue paying the employee portion of retirement contributions for its administrative staff to avoid future financial strain.
- Renegotiate plan options, employee contributions, and plan design to lower District insurance expenditures to a level closer to industry benchmarks.
- Control non-mandatory special education costs.
- Eliminate the weighted counting of special education students for purposes of determining maximum class size.

**2. Required versus Elective Course Offerings**

- SWLLSD should examine its curriculum and elective course offerings on an annual basis.

**3. Transportation**

- Develop and implement written procedures for completing, reconciling, and submitting transportation reports.
- Increase operating efficiency by eliminating at least seven active regular buses.

- Implement adequate controls and security measures for the District fuel dispensing system.
- Seek competitive pricing for fuel, use consortia when appropriate, and apply for fuel tax refunds.
- Implement a formal preventive maintenance plan and track the costs of repairs.
- Reduce the spare bus fleet by six buses.
- Include Transportation Department personnel in the IEP process when determining the most appropriate mode of transportation.

#### **4. Financial Systems and Facilities**

- Update and implement a long-range strategic plan.
- Adopt recommended budgeting practices.
- Review and update financial policies and develop associated procedures.
- Implement 2006 recommendation to perform alternative scenarios for the five-year forecast.
- Revise purchasing policy and include clear procedures.
- Enhance the facilities master plan to include alternatives to constructing new classroom space and various means to fund each alternative.
- Eliminate 3.0 custodial FTEs to bring staffing in line with the recommended workload ratios.
- Develop and implement a formal maintenance and custodial manual containing appropriate procedures for use by maintenance and operations employees.

## 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 Eliminate 6.0 FTE administrative positions to achieve a staffing level more comparable to the peer average.	\$425,000
1.3 Eliminate 10.0 FTE regular teaching positions and examine regular classroom teaching staff at each grade level to determine if student instruction is provided in the most optimal manner.	\$500,000
1.4 Eliminate 2.0 FTE Educational Service Personnel (ESP) and evaluate the use of personnel in the ESP classification to determine if additional reductions should be made.	\$163,000
1.7 Eliminate the pick-up on retirement benefits for 23 administrative employees.	\$200,000
1.8 Reduce health care premium expenditures to a level closer to industry benchmarks.	\$490,000
1.9 Control non-mandatory special education costs, which are higher per student in direct and support services.	\$731,000
3.2 Reduce 7 buses to achieve improved utilization and efficiency.	\$244,000
3.4 Seek competitive bids, issue RFPs to multiple vendors for the procurement of fuel, actively compare prices, and, when appropriate, use consortia to purchase fuel.	\$12,000
3.6 Reduce the number of spare buses in the fleet by 6 buses.	\$10,350
4.8 Eliminate 3.0 custodial FTEs to bring staffing in line with industry benchmarks.	\$115,000
4.10 Develop and implement an energy consumption and conservation policy and plan.	\$20,500
<b>Total Cost Savings from Performance Audit Recommendations:</b>	<b>\$2,890,500</b>

---

# Audit Objectives

---

The following detailed audit objectives were used to conduct the performance audit of the Southwest Licking Local School District. In some instances, objectives were modified based on actions taken by the District.

## *Human Resources:*

- Is the District's current allocation of personnel efficient and effective?
- Is the District's compensation package in line with other high performing districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in line with peers and best practices?
- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?
- Does the District provide special education programs for students with disabilities that maximize resources and are compliant with State and federal regulations?
- Does the District provide effective and efficient programs to meet the needs of at-risk students [including English for Speakers of Other Languages (ESOL), Title I, and alternative education]?
- Is the District providing workforce development programs or vocational-technical education effectively and efficiently?
- Does the Board function effectively?

## *Required versus Elective Courses and Class Sizes:*

- What is the District's required and elected course offerings and how do these compare with requirements?
- What are the District's average class size and class size by grade and how does these compare with minimum standards?
- What impact will the Ohio Evidence Based Model have on District class sizes?

## *Transportation:*

- What is the Board's policy for transportation and how does this compare with State minimum requirements?
- Can the District improve the accuracy and reliability of its transportation data?

- How does the District's "yellow bus" (Type I & II) transportation service compare with peer districts and/or industry standards to determine the efficiency of the operation?
- How does the District report transportation expenditures and how does cost ratios compare with peer districts?
- Is the District effectively and efficiently maintaining and managing its fleet?
- What are the District's operational procedures for tasks such as routing, driver training, and transportation involvement in IEP development for transportation services, and how do these compare with recommended practices?
- How does the District manage its maintenance function and supplies?
- What alternative transportation practices might be beneficial for SWLLSD to employ?

*Financial Systems 2006 Performance Audit Follow-up:*

- What has been the District's financial history, and does the District have policies and procedures to ensure effective and efficient management?
- Does the District have an effective system of communicating its financial data, and does the District actively involve stakeholders in the decision-making process?
- Is the District's budgetary process consistent with recommended budgetary practices, and how does the District's revenue and expenditure information compare with the peers?
- Does the District's purchasing practice follow recommended practices and do procedures ensure adequate control over purchases?
- Has the District developed effective internal controls over the payroll process?

*Facilities 2006 Performance Audit Follow-up:*

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

# 1. Human Resources

---

## Background

This section of the performance audit focuses on Southwest Licking Local School District's (SWLLSD or the District) human resource (HR) functions, including staffing levels, compensation, employee benefits, negotiated agreements, HR management issues, and special programs. The District's human resource functions were evaluated and compared with leading practices, industry benchmarks, operational standards, the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), and selected peer districts, as well as similar school districts in the area.

### *Staffing*

**Table 1-1** illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at SWLLSD and the average of the peer districts. Data is from FY 2009-10 as reported to ODE through the Education Management Information System (EMIS). The staffing levels in **Table 1-1** 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 1-1: Staffing Comparison (FTE <sup>1</sup>)**

	SWLLSD		Peer Average		Difference	
<b>Students <sup>2</sup></b>	3,652		3,371		281	
<b>Staffing Categories</b>	<b>FTEs</b>	<b>FTEs Per 1,000 Students</b>	<b>FTEs</b>	<b>FTEs Per 1,000 Students</b>	<b>Difference Per 1,000 Students</b>	<b>FTE Adjustment <sup>3</sup></b>
Administrative	22.4	6.1	16.6	5.2	0.9	3.3
Office/Clerical	25.1	6.9	22.4	7.1	(0.2)	(0.7)
Teaching	206.2	56.5	168.9	50.7	5.8	21.2
Educational Service Personnel (ESP)	26.2	7.2	22.3	6.6	0.6	2.2
Educational Support	11.0	3.0	16.8	5.1	(2.1)	(7.7)
Other Certificated	5.7	1.6	1.9	0.6	1.0	3.7
Non-Certificated Classroom Support	25.0	6.9	25.4	6.7	0.2	0.7
Other Technical/Professional	5.9	1.6	5.4	1.4	0.2	0.7
Other Student Services	13.2	3.6	7.3	2.1	1.5	5.5
Operations	80.7	22.1	77.2	22.6	(0.5)	(1.8)
<b>Total Staff</b>	<b>421.4</b>	<b>115.4</b>	<b>364.3</b>	<b>108.2</b>	<b>7.3</b>	<b>26.7</b>

**Source:** SWLLSD and peer FY 2009-10 staffing data as reported to ODE.

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

<sup>1</sup> 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.

<sup>2</sup> Reflects students receiving educational services from SWLLSD and excludes the percent of time students are receiving educational services outside of the District.

<sup>3</sup> Represents the number of FTEs that when added or subtracted would bring SWLLSD's number of employees per 1,000 students in line with the peer average. This is calculated by taking the difference multiplied by the number of SWLLSD students educated divided by 1,000. These numbers may vary due to rounding.

As illustrated in **Table 1-1**, SWLLSD's total FTEs per 1,000 students is higher than the peer average by 27.4 FTEs. Specifically, SWLLSD employed more FTEs per 1,000 students in 7 of the 10 categories. The following explains variances illustrated in **Table 1-1**.

- **Administrative:** SWLLSD's administrative staffing per 1,000 students was above the peer average by 0.9 FTEs. This category includes central office and building level administrators, directors and coordinators, and other personnel responsible for the planning, management, evaluation, and operation of the District. A more detailed evaluation of this staffing area showed SWLLSD employs more central office administrative staff than the average of the peer districts.
- **Office/Clerical:** The District's Office/Clerical FTE count of 6.9 FTEs per 1,000 students is in line with 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, and career-technical teachers. As shown in the comparison, SWLLSD employs 5.8 more FTEs per 1,000 students than the peer average, which equates to 21.2 teacher FTEs.
- **Educational Service Personnel:** SWLLSD's ESP staffing level is above the peers by 0.6 FTEs per 1,000 students, or 2.2 total FTEs. This category includes art, music, and physical education teachers, as well as counselors, librarians, media specialists, school nurses, and social workers.
- **Educational Support:** This category includes the positions of remedial specialists, tutors/small group instructors, and supplemental service teachers. As illustrated in **Table 1-1**, SWLLSD employs 2.1 fewer FTEs per 1,000 students than the peer average, which equates to 7.7 FTEs. These staffing position are certificated employees who assist with student education either through tutoring or small group instruction. For this reason, this category of employees is examined along with the District's teaching staff.
- **Other Certificated:** This category represents the remaining certificated positions at the District, and as illustrated in the comparison, SWLLSD has 1.0 more FTE per 1,000 students than the peer district average. Further review of this category showed these positions at SWLLSD include teachers that the District classified as "on special assignment."
- **Non-Certificated Classroom Support:** This category represents classified employees who assist with the education of students in the classroom setting and includes teaching aides, instructional paraprofessionals, and attendants. SWLLSD employs 0.2 more FTEs per 1,000 students in this category. Similar to the educational support category, non-certificated classroom support is examined with the teaching staff because these employees assist in the classroom with education.
- **Other Technical /Professional Staff:** This category represents other technical and professional staff including computer support staff and library aides. SWLLSD is in line with the peer district average, employing 1.6 FTEs per 1,000 students.
- **Other Student Services:** SWLLSD employs 1.5 more FTEs per 1,000 students in the category of other student services. This category includes psychologists, occupational therapists, and speech and language therapists. Many of these positions serve students with disabilities and therefore are tied to individualized educational programs (IEPs). For a detailed analysis of special education at the District see **1.9**.
- **Operations:** SWLLSD's operations staff is below the peer average per 1,000 students. This category captures all operations positions including bus drivers, custodians, maintenance workers, and food service employees. Because of the unique nature of these areas, detailed analyses were completed, when appropriate, to capture the specific industry benchmarks and workload measures (square miles of the District and number of school buildings) unique to these functional areas (see **facilities** and **transportation**).

## Compensation

SWLLSD's employees received a 2.0 percent negotiated increase on the base rate in FY 2009-10. District employees are compensated based on salary schedules detailed in the respective employee collective bargaining agreements. Specifically, job classification and years of experience are the two factors used when determining salary. Employee compensation can also be impacted by factors outside management's direct control, such as geographic location and surrounding district competition. To account for these geographic factors, SWLLSD's employee salaries were compared against a select group of districts, referred to as the regional peers. Further, average salary comparisons do not consider the variances in the number of seasoned and new employees, so compensation was examined by comparing starting wages and step increases from employee salary schedules to the regional peer average. Compensation is analyzed in detail in the **recommendations** portion of this section.

## Employee Insurance Benefits

SWLLSD offers its employees the choice between three health insurance plans, each with different coverage levels, premium costs, and employee contributions levels. The High Plan has the highest premiums and requires a larger employee contribution, while the Low Plan has the lowest premiums and the lowest employee contribution. **Table 1-2** provides a detailed illustration of the cost and cost sharing of SWLLSD's three insurance plans.

**Table 1-2: Insurance Premiums and Contributions (FY 2009-10)**

	Single Coverage		Family Coverage	
<b>High Plan</b>				
	<b>Dollar Amount</b>	<b>Percent of Total Premium</b>	<b>Dollar Amount</b>	<b>Percent of Total Premium</b>
Employee Contribution	\$110.00	20%	\$296.00	20%
District Contribution	\$438.81	80%	\$1,182.09	80%
<b>Total Premium</b>	<b>\$548.81</b>	<b>100%</b>	<b>\$1,478.09</b>	<b>100%</b>
<b>Middle Plan</b>				
	<b>Dollar Amount</b>	<b>Percent of Total Premium</b>	<b>Dollar Amount</b>	<b>Percent of Total Premium</b>
Employee Contribution	\$69.00	15%	\$187.00	15%
District Contribution	\$393.78	85%	\$1,059.40	85%
<b>Total Premium</b>	<b>\$462.78</b>	<b>100%</b>	<b>\$1,246.40</b>	<b>100%</b>
<b>Low Plan</b>				
	<b>Dollar Amount</b>	<b>Percent of Total Premium</b>	<b>Dollar Amount</b>	<b>Percent of Total Premium</b>
Employee Contribution	\$38.00	9%	\$102.00	9%
District Contribution	\$382.78	91%	\$1,031.26	91%
<b>Total Premium</b>	<b>\$420.78</b>	<b>100%</b>	<b>\$1,133.26</b>	<b>100%</b>

Source: SWLLSD insurance plans

Approximately 75 percent of the District's 344 employees were actively participating in the District's health insurance program and receiving insurance coverage. The most popular plan among employees was the High Plan, the choice of 64 percent of participating employees.

Coverage levels are represented by the premium of each plan. Deductibles, co-payments, and co-insurance (the percentage of payment that the insurance policy covers for a service) under each plan vary. The High Plan includes the most expensive premium and does not require a deductible for in-network services. Co-insurance is 100 percent and co-payments for office visits are \$10. Retail pharmaceutical prescriptions under the High Plan are \$5 (generic), \$10 (brand name – formulary), and \$15 (brand name – non-formulary). The Middle Plan requires deductibles of \$250 and \$500 for single and family in-network coverage, respectively. Co-insurance is 90 percent and co-payments for office visits are \$15. Prescriptions under the Middle Plan require co-payments of \$10/\$20/\$30. The Low Plan has the lowest premiums and therefore the highest deductibles – \$500 and \$1,000 for single and family coverage, respectively. Co-insurance is 80 percent while co-payments for office visits are \$20. Lastly, prescription co-payments under the Low Plan are \$10/\$30/\$50.

SWLLSD's FY 2009-10 insurance plans were compared with industry benchmarks from SEHCB. The overall results of the comparisons showed that SWLLSD's insurance premiums exceed industry averages. Employee contributions and coverage were also compared to identify opportunities for costs savings.

In addition to health insurance, SWLLSD provides employees the opportunity to elect dental and vision insurance. As of July 1, 2009, the premium for dental insurance was \$77.27, with the District contributing \$35 per month and participating employees responsible for the remaining portion. The dental plan coverage and costs are the same for all employees, single or family.

There are three vision insurance plan types (single, single plus 1, and family), each with a different premium. Employees electing vision insurance are responsible for 100 percent of the premium. Lastly, the District provides eligible employees with \$35,000 term life insurance policies at no cost to the employees.

# Recommendations

## **1.1 Develop and implement a formal and comprehensive staffing plan that addresses current and future staffing needs.**

**SWLLSD should develop a formal and comprehensive staffing plan at the District level that addresses current and future staffing needs. A District-wide staffing plan will assist the Board and administration in better planning for the future, while helping SWLLSD to formalize existing planning processes, identify and achieve staffing goals, and better communicate those goals to its building administrators and the public.**

The District does not have a formal staffing plan. Instead, SWLLSD has developed an informal process that contains some elements of leading practices to determine its staffing levels. District administrators meet with building principals to examine enrollment projections and determine staffing needs and expectations in each building for the following school year. There are staffing ratios within the bargaining agreements that are used for all levels, as well as minimum participation requirements for offering some high school courses.

*Strategic Staffing Plans* (Society for Human Resource Management (SHRM), June 2002) notes that organizations should 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) highlights the need for a staffing plan. SHRM notes that the most important question for any organization is what type of workforce it will need in order to implement its business strategy successfully. Once this question is answered, the organization must 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 plans that incorporate staffing allocation factors such as State and federal regulations, workload measures, and other leading practices. In general, staffing benchmarks in these plans are calibrated to available General Fund revenue, which assists 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 can also aid in determining mid-year staffing levels when changes are necessary. The Cincinnati City School District (Hamilton County) has also developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals into a process that includes central and site-based administrators and other personnel.

SWLLSD had not implemented formal performance management techniques or tied its staffing to efficiency and workload measures. Therefore, it had not identified a formal staffing plan as an integral part of District-wide planning.

By implementing a formalized staffing plan, the District can more openly communicate staffing strategies and priorities, as well as contingency plans, should the District fail to secure sufficient revenue to sustain its operation in the future. Furthermore, the District can better explain its decisions to hire or reduce personnel based on the objective analysis and clear reasoning that a staffing plan offers.

**1.2 Eliminate 6.0 FTE central office administrative positions to achieve a staffing level more comparable to the peer average.**

**SWLLSD should consider eliminating 6.0 FTE central office administrative positions to achieve a staffing level more comparable to the peer average. This can be accomplished by reevaluating and reallocating the duties of current administrative positions. Specifically, the District should focus on combing duties of central office administrator positions.**

As illustrated in **Table 1-1**, SWLLSD employs more administrators on a per 1,000 student basis than the peers. The District’s 22.4 administrator FTEs comprise a mixture of central and site-based employees. The 15.4 central administrative FTEs include the Superintendent, Treasurer, and the District’s program directors and operational supervisors. SWLLSD’s site-based administrators include 5.0 principal FTEs and 2.0 assistant principal FTEs.

When compared with the peer district average, SWLLSD’s central administrator staffing is high on a per 1,000 student basis. Central administrators may not be directly related to the number of students because all districts, no matter the size, typically employ a superintendent, treasurer, and, in many cases, a business manager or director of operations. Therefore, having more students would not necessarily require more central administrators. **Table 1-3** illustrates a comparison of SWLLSD’s central administrators on a per-student and per-employee basis.

**Table 1-3: SWLLSD and Peer District Central Office Administrators**

	SWLLSD	Peer Average	Difference
Total Central Office Administrative FTEs	15.4	7.7	7.7
Students	3,652	3,371	280
Central Office Administrative Staff per 1,000 Students	4.2	2.5	1.7
<b>FTE Adjustment <sup>1</sup></b>			<b>6.2</b>
FTE Employees (excluding administrators)	407.3	356.6	50.7
Central Office Administrative Staff per 100 Employees	3.8	2.2	1.6
<b>FTE Adjustment <sup>2</sup></b>			<b>6.5</b>

Source: SWLLSD and peer FY 2009-10 staffing data as data as reported to ODE.

Note: Totals may vary due to rounding.

<sup>1</sup>Represents the number of FTEs that when added or subtracted would bring SWLLSD’s number of central administrators per 1,000 students in line with the peer average. This is calculated by taking the difference multiplied by the number of SWLLSD students educated, divided by 1,000.

<sup>2</sup>Represents the number of FTEs that when added or subtracted would bring SWLLSD’s number of central administrators per 100 employees in line with the peer average. This is calculated by taking the difference multiplied by the number of SWLLSD FTE employees divided by 100.

As illustrated in **Table 1-3**, SWLLSD's number of central office administrator FTEs exceeds the peer average in all comparisons made. A reduction of 6.0 FTEs would bring the District more in line with the peer district average.

While SWLLSD's site-based administrator staffing compares favorably with the peer average on a per 1,000 student basis, further opportunities exist to reduce staff if necessary. Site-based administrators, including principals and assistant principals, are responsible for the daily supervision of student education and building staff. OAC 3301-35-05 requires every school to be provided the services of a principal. While it is possible to divide one principal between two schools, the OAC also requires every school with 15 or more FTE classroom teachers to be assigned the services of a full-time principal. The OAC does not stipulate the number of assistant principals for school districts and, in fact, does not require them. Because SWLLSD has at least 15 classroom teachers in each of its schools, its only options to reduce site-based administrators would involve its 2.0 assistant principal FTEs.

Because SWLLSD has not formalized a staffing plan and identified workload measures, it may not have identified areas of potential overstaffing or areas where reductions could be made with less direct impact on students. Administrators fulfill critical management aspects of District operations; however, a review of duties and reallocation of assignments might help SWLLSD improve its staffing ratios in this classification.

When evaluating the option of reducing site-based administrative staff (assistant principals), SWLLSD should also consider the impact this may have on site-based clerical staff, specifically the principals' secretaries, to ensure that all responsibilities are appropriately reallocated. Reducing central administrators by 6.0 FTEs would better align SWLLSD with the peer average.

*Financial Implication:* The elimination of 6.0 FTE administrators would save SWLLSD approximately \$425,000 in salaries and benefits. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

### **1.3 Eliminate 10.0 FTE regular teaching positions and examine regular classroom teaching staff at each grade level to determine if student instruction is provided in the optimal manner.**

**The District should consider eliminating 10.0 FTE regular teaching positions to bring its overall regular student-to-regular teacher ratio to the peer average of 21:1, which still exceeds the State minimum ratio of 25:1. Furthermore, the District should examine its regular classroom teaching staff at each grade level to determine if student instruction is provided in the optimal manner for both its students and the District. Specifically, the District should determine if it has achieved the appropriate mix of teachers and support personnel in the classroom or if alternatives exist that would lower costs. During this**

**process, SWLLSD should consider the financial and academic impact potential staffing changes may have on the District. If the District finds it needs to make further staffing reductions to meet financial demands, it may consider reducing up to 31.6 FTEs, which would bring it to the State minimum requirement based on the 25:1 District-wide student teacher ratio.**

As illustrated in **Table 1-1**, SWLLSD’s teacher staffing levels exceeded the peer average in FY 2009-10. This category includes general education, gifted, special education, career-technical, and preschool special education teachers. The majority, 79 percent of this category at SWLLSD, are general education teachers. Special education teachers make up 18 percent of the remaining portion at SWLLSD.

OAC 3301-35-05 requires the ratio of teachers to students district-wide to be at least one FTE classroom teacher for each 25 students in the regular student population. In FY 2009-10, SWLLSD employed 31.6 FTEs more than the State minimum requirement. It is not a common practice in Ohio to operate at State minimums. For this reason, SWLLSD’s regular classroom teaching staff was compared with the peer average.

**Table 1-4: SWLLSD and Peer Average Regular Teacher Ratios**

	<b>SWLLSD</b>	<b>Peer Average</b>	<b>Difference</b>
General Education Teachers (FTE)	163.1	143.5	19.67
Regular Student Population	3,288	3,112	176
Regular Student to Teacher Ratio	20.2	21.5	(1.3)
<b>FTE Adjustment <sup>1</sup></b>			<b>10.2</b>

**Source:** SWLLSD and peer FY 2009-10 staffing data as data as reported to ODE.

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

<sup>1</sup>Represents the number of FTEs that when added or subtracted would bring SWLLSD’s number of regular students per regular teacher in line with the peer average.

As illustrated in **Table 1-4**, SWLLSD has approximately 1.3 fewer students per regular teacher than the peer average. This equates to a total of 10.2 more teacher FTEs employed at the District. School districts use a range of support personnel to assist with classroom instruction. Because these positions often allow the school district to provide classroom instruction with fewer teachers, they are analyzed along with regular teaching staff. Educational support personnel are certificated employees who require specific degrees and qualifications and provide direct educational support to students. A district’s support staff can also include non-certificated support, classified employees responsible for supporting teachers in classrooms.

**Table 1-1** includes a comparison of SWLLSD’s support personnel with the peer average. In this instance, the comparison shows the District employs more staff per 1,000 students than the peer average in both educational support (2.2 more FTEs) and non-certificated classroom support (0.7 more FTEs). See **1.4** for further analysis of educational support personnel. Therefore, a lack of

sufficient classroom support staff is not the cause of higher regular teacher staffing levels at the District.

The higher than average number of teachers employed at SWLLSD and the lower student-to-teacher ratio results from several factors. These factors include the District's certificated collective bargaining agreement, its emphasis on placing its resources in direct instructional personnel, and variances in student ADM by grade level.

SWLLSD should examine the staffing level and mix of its general education teachers used to provide instruction to students to determine if reducing staff would result in a financial benefit to the District without significantly affecting the level of education provided. When examining this staffing category, it is essential to consider the use of classroom support staff. If the District encounters financial hardship and needs to make further reductions, it could eliminate up to 31.6 FTE regular teaching positions which would generate over \$1.5 million in savings.

*Financial Implication:* The elimination of 10 FTE regular teachers would save SWLLSD approximately \$500,000 in salaries and benefits. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

#### **1.4 Eliminate 2.0 FTE Educational Service Personnel (ESP) and evaluate the use of personnel in the ESP classification to determine if additional reductions should be made.**

**The District should eliminate 2.0 Educational Service Personnel (ESP) FTEs to be in line with the peer average. SWLLSD should evaluate its use of personnel in this category to determine the impact of this staffing reduction. Specifically, the District should examine its staffing allocation of school counselors to determine if positions can be shared amongst school buildings in order to reduce the overall number of FTEs required to meet the needs of students. Finally, if the District finds it needs to make further staffing reductions to meet financial constraints, it could consider eliminating up to 10.0 FTEs in this classification, the State minimum requirement for ESP staffing.**

ESP includes art, music, and physical education teachers, as well as counselors, librarians, media specialists, school nurses, and social workers. As illustrated in **Table 1-1**, SWLLSD's overall ESP staffing levels were higher than the peer district average on a per 1,000 student basis. A further analysis, illustrated in **Table 1-5**, was completed to determine the variances in specific staffing classifications.

**Table 1-5: SWLLSD and Peer Average ESP Staffing**

	SWLLSD		Peer Average		Difference	
<b>Students</b> <sup>1</sup>	3,652		3,371		281	
		<b>FTEs Per 1,000 Students</b>		<b>FTEs Per 1,000 Students</b>	<b>Difference FTEs</b>	<b>Difference Per 1,000 Students</b>
<b>Staffing Categories</b>	<b>FTEs</b>	<b>FTEs Per 1,000 Students</b>	<b>FTEs</b>	<b>FTEs Per 1,000 Students</b>	<b>Difference FTEs</b>	<b>Difference Per 1,000 Students</b>
ESP Teachers	15.1	4.1	12.8	3.9	2.3	0.2
Counselors	8.3	2.3	5.6	1.7	2.7	0.6
Librarians / Media Specialists	1.9	0.5	2.4	0.6	(0.5)	(0.1)
School Nurses	1.0	0.3	1.6	0.4	(0.6)	(0.1)
<b>Total ESP Staff</b>	<b>26.3</b>	<b>7.2</b>	<b>22.4</b>	<b>6.6</b>	<b>3.9</b>	<b>0.6</b>
<b>FTE Adjustment</b> <sup>2</sup>						<b>(2.2)</b>

**Source:** SWLLSD and peer FY 2009-10 staffing data as data as reported to ODE.

**Note 1:** Totals may vary due to rounding.

**Note 2:** Only ESP staffing categories where FTEs were present (for SWLLSD or peers) were included in the table

<sup>1</sup> Reflects students receiving educational services from SWLLSD and excludes the percent of time students are receiving educational services outside of the District.

<sup>2</sup> Represents the number of FTEs that when added or subtracted would bring SWLLSD's number of employees per 1,000 students in line with the peer average. This is calculated by taking the difference, multiplied by the number of SWLLSD students educated, and then divided by 1,000.

As illustrated in **Table 1-5**, SWLLSD's total ESP staff per 1,000 students exceeds the peer average. Specifically, the District's 2.3 counselor FTEs per 1,000 students are higher than the peer average and should be examined to determine the need for these positions. Reduction of 2.0 counselors would bring SWLLSD's overall ESP staff in line with the peer district average. OAC 3301-35-05 requires that school districts employ a minimum of five ESPs for every 1,000 students in the regular student population. This provision requires SWLLSD to employ at least 16.4 ESP FTEs. Therefore, the District could reduce up to 9.9 FTEs and continue to operate in compliance with laws and regulations.

SWLLSD has not applied rigorous workload benchmarks to its staffing allocations in conjunction with formal staffing and strategic plans. Therefore, it may have allocated more personnel to certain areas than required based on the number of students it serves. Reducing ESP staff will help SWLLSD bring its staffing levels in this classification in line with the peers. If the District needs to make additional reductions to address financial constraints, it could eliminate up to 10 FTEs in this classification for a savings of about \$815,000 and still be in compliance with State requirements.

*Financial Implication:* The elimination of 2.0 FTE counselors would save SWLLSD approximately \$163,000 in salaries and benefits. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

**1.5 Evaluate the duties of the employees coded in the Other Certificated category to determine if the potential for reductions exists.**

**SWLLSD should evaluate positions (5.7 FTEs) coded in the Other Certificated category and examine the respective job descriptions to determine if staffing levels are higher than the peer average and reductions should be made, or if personnel in this category have been miscoded and should be recoded to another category. For example, if the school dean is performing duties closer to that of an assistant principal, the District may decide to revise its coding methodology to include it in the administrative category. If the dean is performing clerical assignments, this position should be examined within the clerical category. In each instance, SWLLSD should then evaluate its revised staffing levels by category to determine if areas for potential reduction exist.**

As illustrated in **Table 1-1**, SWLLSD's Other Certificated category was 5.7 FTEs above the peer average. This category represents certificated employees who do not fall into other more specifically defined categories. Specifically, the Other Certificated category includes curriculum specialists (EMIS position code 201), audio-visual staff (EMIS position code 209), permanent substitutes (EMIS position code 225), teacher mentors/evaluators (EMIS position code 226), and other professional educational staff (EMIS position code 299).

At SWLLSD, the 5.7 FTE positions are made up of a 0.7 FTE curriculum specialist and 5.0 FTE teachers on special assignment, who the District has coded as other professional – educational (EMIS position code 299). Specifically, one of these employees serves as the dean of students, another works with at-risk students and athletic events, one works with special education students, one was a keyboard instructor, and one serves as the Alternative Education Placement Teacher (managing in-school suspensions).

ODE's EMIS manual provides explanations for appropriate recording of staff data including each position code and definitions of job duties. In 2006, the Ohio Association of EMIS Professionals (OAEP) presented "EMIS in Perspective – Pertinent Issues for New EMIS Coordinators." This presentation discussed why accurate EMIS reporting is vital for every school district. Specifically, EMIS data is directly related to District funding and accountability, public relations and district image, and professional reputation. OAEP also provides tips and recommendations to help ensure accurate EMIS data. SWLLSD's use of the Other Certificated classification may reduce the accuracy and effectiveness of its EMIS data, placing some staff in categories that do not accurately reflect their duties.

SWLLSD's 5.0 FTEs coded in the 299 category are not typical classroom teachers. However, as SWLLSD defined the work to which these employees are assigned, it became clear that the 299 code may not accurately reflect the duties of these employees. Often, districts use some EMIS codes as "catchalls" to classify employees whose duties may be mixed or not traditionally assigned to individuals with their qualifications. Using the tools and techniques recommended by

OAEP, along with consistent reference to the EMIS manual, will help SWLLSD help ensure that data correctly depicts conditions at the District and that it has accurate future staffing comparisons to the peer districts.

**1.6 Seek to renegotiate salary schedules for classified positions to levels in line with the regional peer averages.**

**SWLLSD should attempt to renegotiate salary schedules for its classified staff to achieve compensation levels comparable to the peer averages. Although the District's base rates are below the peer average, the structure of step increases throughout the schedules results in a higher than average salary over a 30-year period of employment. Maintaining salary schedules that are comparable to the peer averages will help SWLLSD ensure it is providing adequate compensation to remain competitive when attracting new employees without placing unnecessary strain on its financial condition.**

While the District's teacher salaries were in line with the peer averages, SWLLSD's salary schedules for each of the classified positions examined – custodian, cook, secretary, and bus driver – were more generous than the respective peer averages. Although these positions have lower starting rates than the peer averages, the structures of the schedules and the frequency of step increases eventually raise the compensation levels above the peer averages.

Salary schedules for SWLLSD employees were compared with salary schedules of the regional peer districts (Granville EVSD, Lakewood LSD, Licking Heights LSD, Pickerington LSD, and Reynoldsburg LSD). Starting wages and step increases throughout the salary schedule were analyzed by comparing rates at each year of employment through 30 years to the average of the regional peer districts. The following positions were included in the comparison:

- Teachers (Bachelor's Degree and Master's Degree)
- Food Service/Cook;
- Secretary; and
- Bus Driver.

**Appendix A** provides a detailed illustration for each position compared with the regional peer average. Higher salaries throughout the term of the salary schedule result in higher overall costs of employment. These variances are attributable to the District's collective bargaining agreements and limited external comparisons with peer salary rates or private-sector wages for like positions.

Adjustment of employee salary schedules can be difficult because they are specified in the District's negotiated agreements. However, SWLLSD should consider options including the implementation of new salary schedules for incoming employees or discontinuing step increases at an earlier year to bring the later portion of its classified schedules in line with the regional peer averages.

The impact of the variance in salary schedules is most notable over an employee's career at the District. For example, a custodian employed at SWLLSD under the District's current salary schedule would earn \$905,000 over the term of 30 years, compared with the regional peer average of \$799,000. If successful in renegotiating step schedules or implementing new schedules for all future employees, SWLLSD can remain competitive while providing employees compensation at an optimal level for the District.

### **1.7 Eliminate the pick-up on retirement benefits for 23 administrative employees.**

**SWLLSD should discontinue paying the employee portion of retirement contributions for its administrative staff to reduce the financial strain on the District and eliminate hidden compensation. Covering the required employee retirement contribution for 23 employees is costly to the District, and this benefit is a form of compensation the Board is not required by law to provide. Eliminating this benefit will reduce expenditures and may allow the District to avoid reductions in other areas, such as personnel, that may directly affect the education of students.**

The School Employees Retirement System (SERS) and State Teachers Retirement System (STRS) require employees to contribute 10 percent of their gross salaries. However, there are two ways employers can pay selected employees' 10 percent contributions for them. The first method is referred to as "pick-up" and is when the employee's contributions are actually paid by the district and not deducted from the employee's salary. The second method is referred to as "pick-up on the pick-up." This includes an added benefit where an additional 10 percent of the employee contribution is compensated by the employer. For example, if an administrative employee earns \$100,000 per year the Board pays the \$10,000 required employee contribution plus an additional \$1,000 (10 percent of \$10,000) for a total employee paid contribution of \$11,000. These employer-paid contributions are not required by law, are in lieu of employee contributions, and are in addition to the 14 percent employer contribution that the Board is required to pay.

SWLLSD's classified and certificated employees make retirement contributions through salary reductions to SERS or STRS. However, the District pays the employee portion of retirement contributions for 22 administrators and 1 psychologist. SWLLSD's administrators (14 including the Superintendent, Treasurer, principals, assistant principals, and some of the directors) receive the benefit referred to as pick-up on the pick-up, where the Board covers the employees' required 10 percent contribution and pays an additional 10 percent on the 10 percent. The remaining nine employees (which include the Food Service Director, Transportation Supervisor, and EMIS Coordinator) receive the pick-up benefit only, where the District covers the required 10 percent contribution but does not pay an additional amount.

Paying the employee share of retirement contributions allows some districts to control administrative salary costs and attract administrative personnel by offering these fringe benefits in

lieu of a higher salary. However, offering this benefit to employees can be costly and becomes a form of "hidden compensation," as it is rarely factored into total compensation calculations. In addition, it compounds as employee salaries rise and can ultimately become a burdensome cost to the District. The District should consider discontinuing the benefit for its administrative staff in order to reduce costs and avoid reductions in other areas.

*Financial Implication:* Eliminating retirement pickup for exempt staff would generate cost savings of approximately \$200,000 annually, based on FY 2009-10 wages.

### **1.8 Reduce health care premium expenditures to a level closer to industry benchmarks.**

**SWLLSD should attempt to reduce its health care expenditures to a level closer to the industry benchmarks of the State Employee Health Care Board (SEHCB). When evaluating the options available to reduce costs, the District should consider eliminating the High Plan option and/or negotiating higher employee premium contributions for its Middle and Low Plans. If the District is unsuccessful in recognizing savings through one of these measures, it may consider adjusting the current plan designs in order to reduce costs. Furthermore, SWLLSD should attempt to eliminate paying 100 percent of the health insurance premiums to married couples working in the District.**

SWLLSD's insurance costs (the District's share of premiums) for single and family coverage are dependent on the plan selected by its employees, as the premiums and contributions differ among the three plans offered (high, middle, and low). Each of the plans offers varying levels of coverage, with the High Plan having the most comprehensive coverage and lowest out-of-pocket cost. **Table 1-6** illustrates SWLLSD's contributions compared with SEHCB-reported average employer contributions.

**Table 1-6: SWLLSD and SEHCB Health Insurance Cost Comparison<sup>1</sup>**

	<b>SWLLSD Monthly Contribution to Premium</b>	<b>SEHCB Average Monthly Employer Contribution<sup>2</sup></b>	<b>Dollar Variance</b>	<b>Percent Variance</b>
<b>High Plan</b>				
Single Coverage	\$438.81	\$407.35	\$31.46	7.7%
Family Coverage	\$1,182.09	\$1,015.77	\$166.32	16.4%
<b>Middle Plan</b>				
Single Coverage	\$393.78	\$407.35	(\$13.57)	(3.3%)
Family Coverage	\$1,059.40	\$1,015.77	\$43.63	4.3%
<b>Low Plan</b>				
Single Coverage	\$382.78	\$407.35	(\$24.57)	(6.0%)
Family Coverage	\$1,031.26	\$1,015.77	\$15.49	1.5%

**Source:** SWLLSD 2010 premiums and contributions and SEHCB 2009 Annual Health Insurance Cost Report

**Note:** SEHCB average premiums were increased to reflect estimated 2010 costs using a five-year historical average from the SERB (State Employment Relations Board) reports (5.5 percent for single and 5.3 percent for family). Data from the SERB and SEHCB reports are generated from the same source.

<sup>1</sup> Represents the District cost for employee insurance and excludes the portion already paid by the employee.

<sup>2</sup> The SEHCB average represents the average cost incurred by Ohio school districts who offer PPO plans, consistent with the SWLLSD's three plans.

As illustrated in **Table 1-6**, SWLLSD's premium contributions exceed the SEHCB benchmarks in four of the six comparisons made. The largest variance occurred in the High Plan, which is the most popular plan choice amongst District employees. In some cases, such as the High Plan family coverage, the variance is significant. The coverage levels of each of SWLLSD's plans are illustrated in **Table 1-7**.

**Table 1-7: SWLLSD Plan Coverage**

Coverage Area	High Plan In-Network Coverage	Middle Plan In-Network Coverage	Low Plan In-Network Coverage
Deductible (Individual/Family)	\$0 / \$0	\$250 / \$500	\$500 / \$1,000
Co-Insurance (Employee Portion) <sup>1</sup>	0%	10%	20%
Out-of-Pocket Maximum, including deductible	\$0 / \$0	\$750 / \$1,500	\$1,500 / \$3,000
Physician Office Visits (Primary Care)	\$10 co-payment	\$15 co-payment	\$20 co-payment
Physician Office Visits (Specialty Care)	\$10 co-payment	\$15 co-payment	\$20 co-payment
Urgent Care	\$35	\$35	\$35
Emergency Room Services	\$75	\$100	\$100
Prescription Drugs - Retail (30 day Supply)	\$5 / \$10 / \$15	\$10 / \$20 / \$30	\$10 / \$30 / \$50
Prescription Drugs - Mail Order (90 Day Supply)	\$10 / \$20 / \$30	\$25 / \$50 / \$75	\$25 / \$75 / \$125

**Source:** SWLLSD

<sup>1</sup> Co-insurance is the portion of medical expenses, above the annual deductible, that the covered employee is responsible for until the out-of-pocket maximum is met.

**Note:** Prescription medications are categorized within three tiers. The provider makes tier placement decisions with the goal of ensuring access to a wide range of medications, while controlling health care costs. Each tier is assigned a copayment; with tier one being the lowest co-payment option. While there are exceptions, generic medications are usually the tier one medications.

As illustrated in **Table 1-7**, the high plan premiums are driven by the generous coverage (\$0 deductibles, 100 percent co-insurance, and the low co-payments). Employers can use several strategies, either singly or in conjunction with one another, to reduce the employer cost of providing health insurance coverage for employees. The following strategies are recommended by leading practice organizations like the Society for Human Resource Management and the Kaiser Family Foundation.

**Reducing the Number of Plans Offered:** The District might consider reducing the number of choices of insurance plans to employees. Eliminating the High Plan choice would bring the District more in line with averages and provide a significant savings.

**Employee Contributions to Premiums:** The District may consider negotiating a higher employee contribution to premiums. Increasing employee contributions would provide lower contributions for the District resulting in annual savings.

**Plan Design and Coverage:** SWLLSD may consider adjusting the current plan designs in order to reduce costs. The driving force behind premiums for health insurance is the level of coverage provided by the chosen plan, including co-insurance, deductibles, and co-payments. Specifically, the better the coverage of the plan, the more expensive the premium will be to the employer/employee. SERB reports that about three-quarters of plans require a deductible before

cost-sharing of out-of-pocket medical expenses begins and 60 percent of single plans and virtually all family plans have some level of co-insurance requirements for employees. Redesigning coverage, such as increasing co-insurance and/or co-payments, may allow the District to obtain overall lower premiums.

**Opt-out Incentives:** The District does not offer employees any type of incentive to waive medical coverage. SERB reports that approximately 49 percent of school districts offered an opt-out incentive in 2009, with the average incentive equaling approximately \$1,700 annually. With 75 percent of District employees participating in the insurance program, SWLLSD may be able recognize savings through an incentive for opting out of the health insurance plan.

**Eliminate Insurance Provisions for Married Couples:** SWLLSD pays 100 percent of the health insurance premiums for married couples who are both employed by the District. This benefit is included in the bargaining agreements and is provided to 14 couples.

Because of the increasing cost of health insurance, the District has experienced a high rate of expenditure growth in its employee benefits. Comprehensive coverage with few or no employee out-of-pocket expenses was a typical practice until increasing costs during the 1990s drove employers to increase cost sharing. SWLLSD made incremental changes in its health insurance benefit because the benefit is negotiated and plan changes are difficult to achieve. Therefore, the plans tended to be higher in cost and more generous in the level of coverage provided. The District instituted the Low Plan with its lower employee contributions in an effort to move employees off the High Plan coverage. However, few employees have chosen this plan.

Renegotiating plan options, employee contributions, and plan design would lower District insurance expenditures to a level closer to industry benchmarks, and would allow the District to allocate funds currently dedicated to employee benefits to other areas of operations. Implementing plan changes would help SWLLSD bring its plan more in line with industry standards and increase employee involvement in controlling health insurance costs.

*Financial Implication:* If the District negotiated the elimination of the High Plan option, it would reduce its insurance expenditures by \$268,000 annually (assuming those employees enrolled in the High Plan would choose the Middle Plan). If the District negotiated an increase in employee contributions by 5.0 percent for the Middle and Low Plan options, it would save an additional \$191,000 annually. Lastly, the District would save \$31,000 if it successfully eliminated of the provision providing married employees coverage at no cost. In total, the District could recognize a total savings of approximately \$490,000.

## **1.9 Review special education programs and related staffing levels.**

**Although SWLLD's overall special education costs per student are lower than the peers, it should strive to control its non-mandatory special education costs, which are higher per**

student in direct and support services. SWLLSD should review its special education programs and related staffing levels to determine options for cost reductions. Additionally, the District should ensure compliance with OAC 3301-51-09 by educating children with disabilities alongside non-disabled students, to the extent possible. Along with ensuring compliance with this legislation, this could help the District reduce special education FTEs.

**Table 1-8** provides a comparison of special education costs for required services in accordance to OAC 3301-51-09 and total costs of special education programs for SWLLSD and peers.

**Table 1-8: Special Education Required vs. Actual Spending (FY 2008-09)**

	Special Education Expenditures	Required Spending	Difference	Percent Above (Below) Required Spending
Southwest Licking	\$6,879,181	\$4,729,125	\$2,150,056	45.5%
Lebanon	\$7,496,925	\$5,456,885	\$2,040,040	37.4%
Amherst	\$7,397,273	\$5,732,640	\$1,664,633	29.0%
Field	\$3,120,813	\$2,829,603	\$291,210	10.3%
Greenon	\$1,810,993	\$1,319,657	\$491,336	37.2%
Northeastern	\$4,959,649	\$3,603,791	\$1,355,858	37.6%
<b>Peer Average</b>	<b>\$4,957,131</b>	<b>\$3,788,515</b>	<b>\$1,168,615</b>	<b>30.3%</b>

Source: ODE special education fiscal accountability report

Required spending shown in **Table 1-8** per OAC 3301-51-09 is \$4,729,125, compared with actual special education spending of \$6,879,181. Therefore, the District is spending \$2,150,056 (45 percent) more than is required by law and 15 percent more than the peer average, or a difference of \$1,168,615. SWLLSD uses several practices that can lead to higher overall special education costs, particularly in staffing and transportation.

**Table 1-9** shows the total special education expenditures on a per student basis and compared to the peer average.

**Table 1-9: Special Education Comparison (FY 2008-09)**

	Southwest Licking	Peer Average	Variance
<b>SPECIAL EDUCATION POPULATION</b>			
Special Education Students (TAB B)	442	326	116
Special Education Students as % of Total Students (TAB B)	11.5%	9.0%	2.5%
<b>SPECIAL EDUCATION EXPENDITURES PER SPECIAL EDUCATION STUDENT</b>			
Direct Special Education Costs (TAB E)	\$4,275,688	\$3,044,962	\$1,230,726
<b>Direct Special Education Costs Per Special Education Student</b>	<b>\$9,674</b>	<b>\$9,550</b>	<b>\$123</b>
Special Education Portion of Support Services	\$1,280,477	\$894,852	\$385,625
<b>Support Service Portion Per Special Education Student</b>	<b>\$2,897</b>	<b>\$2,765</b>	<b>\$132</b>
Special Education Portion of Regular Instruction	\$1,456,859	\$1,155,493	\$301,366
<b>Regular Instruction Portion Per Special Education Student</b>	<b>\$3,296</b>	<b>\$3,670</b>	<b>(\$374)</b>
Total Special Education Expenditures	\$6,879,181	\$4,957,131	\$1,922,050
<b>Total Special Education Expenditures per Special Education Student</b>	<b>\$15,564</b>	<b>\$15,572</b>	<b>(\$9)</b>

Source: ODE special education accountability report

As shown in **Table 1-9**, SWLLSD's cost for special education is slightly lower (\$15,564) compared with the peer average of \$15,572 per student. However, Direct special education and support service costs per student are higher by 1.3 percent and 4.8 percent, respectively. The reason for the higher cost per student in these areas may be that the District employs a greater number of personnel in direct service delivery to special education students than the peers. Furthermore, SWLLSD's special needs transportation cost per rider is almost 50 percent higher than the peer average.

As shown in **Table 1-1**, SWLLSD employs 1.5 more FTEs per 1,000 students in the category of Other Student Services compared with the peer average. This category includes 4.0 FTE psychologists, 4.0 FTE speech and language therapists, 0.17 FTE physical therapist, 2.0 FTE occupational therapists, 2.0 FTE occupational therapist assistants, and 1.0 FTE practical nurse. Many of these positions serve students with disabilities and are tied to individualized educational programs (IEPs). Although these positions primarily focus on special education students, they provide services to all students in the District as needed.

While special education programs are required by law, the manner in which services are provided are largely determined by the school district. Although most school districts exceed State minimum requirements in special education spending, as shown in **Table 1-9**, SWLLSD's expenditures per student are slightly below the peer average on a per pupil basis.

Although more intensive special education programs may improve adequate yearly progress for students with special needs, the District's current program deployment increases costs and reduces financial flexibility in times of fiscal constraint. These factors could be mitigated with

improved staff planning and more concentrated IEP management, coupled with more intensive measurement of the effect of certain services. Reducing costs in this area would provide SWLLSD a greater degree of flexibility in providing services to all students by reducing the costs of its required programs.

If SWLLSD brought actual special needs spending to 30 percent above required spending levels, similar to the peer averages, it could realize cost savings of \$731,000 per year or \$1,655 per special needs student and still be spending more than the peer average, in total, for its special needs programs. These savings include a reduction in special needs transportation and staffing.

*Financial Implication:* Reducing special education costs to the peer average through staffing reductions and service redeployment could save SWLLSD \$731,000 annually.

### **1.10 Eliminate bargaining agreement provision related to special education students counting as 1.5 FTE in determining class size.**

**The District should negotiate the elimination of the clause in the certificated bargaining agreement that counts special education students as 1.5 students in factoring maximum class size, regardless of disability level or the assignment of an aide. SWLLSD already identifies and provides supportive services to special education students through the IEP and mainstreaming processes. Weighting special education students with a higher value when determining class size results in a duplication of service and increases costs to the District.**

The District has size limits on its classes incorporated into its negotiated agreement. Article 14 of the certificated staff collective bargaining agreement stipulates the FY 2009-10 maximum class size goals as follows:

- K-5, 22 students: 1 teacher
- 4-5, 26 students: 1 teacher
- Grades 6-12 teachers will not be assigned to teach more than 160 students in a day.

While slightly below ORC minimum requirements, the class sizes are not small that this would have a significant impact on District costs. However, the certificated collective bargaining agreement also counts special education students (1 = 1.5 ADM) as more than one student to accommodate SWLLSD's efforts to mainstream its special education students.

Special education students often have individualized educational programs and personal assistants, which is recognized as a mitigating factor when determining if the student should be counted as one or counted as more than one student in accordance with bargaining unit language. However, this practice has led to the overinflating of its special needs student population thus leading to a greater number of teachers than its peers.

According to OAC 3301-35-05, the ratio of teachers to students district-wide shall be at least one FTE classroom teacher for each 25 students in the regular student population. In FY 2009-10, SWLLSD maintained a District-wide student teacher ratio of 20.2 to 1.

The District holds the additional time and effort teachers dedicated to special education students in high regard and, prior to 2006, counted some special needs children as two students and others as one and one half, regardless of the assignment of an aide. Through negotiations the District eliminated the two for one counting of students and included the provision of an aide in factoring the weighted student to teacher ratio in a given class, but the 1.5 for 1 counting of students has not been negotiated out of the agreement.

Because class sizes are somewhat impacted by the weighted counting procedures in the certificated collective bargaining agreement for special education students, SWLLSD's teaching staff needs are overstated. This reduces the District's ability to implement an appropriate staffing plan and increases its direct instructional costs.

---

## 2. Required versus Elective Course Offerings

---

### Background

This section of the performance audit includes a review of SWLLSD's required and elective class offerings. This is an independent assessment of the programs and classes offered at SWLLSD in relation to State requirements and draws general conclusions about the programs offered. SWLLSD's intent is to use this analysis and general conclusions presented to formulate strategies for improvement in light of the District's financial condition and the State's Evidence Based Funding Model.

SWLLSD's student composition includes regular, special, and gifted education students. Regular education students are taught in a regular classroom setting. Special education students may be taught in a regular classroom setting with help from an intervention specialist for a specific subject or topic or as students who receive a majority of their instruction in a self-contained classroom. Gifted education students are those that have been identified as having superior cognitive ability and may receive a differentiated or accelerated curriculum.

#### *General Curriculum Requirements*

According to Ohio Revised Code (ORC) 3313.60 (effective March 29, 2010), boards of education shall prescribe a curriculum, for all schools under their control, to include the study of the following subjects:

- Language arts, including reading, writing, spelling, oral and written English, and literature;
- Geography, the history of the United States and of Ohio, and national, state, and local government in the United States, including a balanced presentation of the relevant contributions to society of men and women of African, Mexican, Puerto Rican, and American Indian descent as well as other ethnic and racial groups in Ohio and the United States;
- Mathematics;
- Natural science, including instruction in the conservation of natural resources;
- Health education, which shall include instruction in the nutritive value of foods, including natural and organically produced foods, the relation of nutrition to health, and the use and effects of food additives, the harmful effects of and legal restrictions against the use of drugs of abuse, alcoholic beverages, and tobacco, venereal disease education, except that upon written request of the student's parent or guardian, a student shall be

excused from taking instruction in venereal disease education, instruction in personal safety and assault prevention, except that upon written request of the student's parent or guardian, a student shall be excused from taking instruction in personal safety and assault prevention (grades K-6), and age-appropriate instruction in dating violence prevention education, which shall include instruction in recognizing dating violence warning signs and characteristics of healthy relationships (grades 7-12).

- Physical education;
- Fine arts, including music; and
- First aid, including a training program in cardiopulmonary resuscitation, safety, and fire prevention, except that upon written request of the student's parent or guardian, a student shall be excused from taking instruction in cardiopulmonary resuscitation.

Also required for promotion from the eighth grade to the ninth grade is one year's course of study of American history. Every high school shall include in the requirements for graduation from any curriculum one unit of American history and government, including a study of the constitutions of the United States and of Ohio. Finally, basic instruction in geography, United States history, the government of the United States, the government of the state of Ohio, local government in Ohio, the Declaration of Independence, the United States Constitution, and the Constitution of the state of Ohio shall be required before pupils may participate in courses involving the study of social problems, economics, foreign affairs, United Nations, world government, socialism, and communism.

Furthermore, ORC 3313.603 establishes requirements for high school graduation, measured in "units." One unit is a minimum of 120 hours of course instruction, except for laboratory courses in which one unit is a minimum of 150 hours of course instruction. One-half unit equates to a minimum of 60 hours of course instruction, except for physical education courses where one-half unit means a minimum of 120 hours of course instruction. Beginning with students who enter ninth grade for the first time after July 1, 2010, the State revised the requirements for high school graduation in an attempt to better prepare graduating students for the workforce and college. These revised requirements are shown in **Table 2-1**.

**Table 2-1: State High School Graduation Requirements**

Subject	Number of Required Units
English Language Arts	4
Health	1/2
Mathematics	4 - including one unit of algebra II or the equivalent of algebra II
Physical Education	1/2
Science	3 - three units with inquiry-based laboratory experience that engages students in asking valid scientific questions and gathering and analyzing information, which shall include the following, or their equivalent: 1 unit physical sciences; 1 unit life sciences; and 1 unit in either chemistry, physics, or other physical science; advanced biology or other life science; astronomy, physical geology, or other earth or space science.
Social Studies	3 - including 1/2 unit American history and 1/2 unit of American government
Electives	5 - consisting of any combination of foreign language, fine arts, business, career-technical education, family and consumer sciences, technology, agricultural education, a junior reserve officer training corps (JROTC) program approved by the congress of the United States under Title 10 of the United States Code, or English language arts, mathematics, science, or social studies courses not otherwise required under division (C) of this section.

**Source:** ORC 3313.603

Each school district retains the authority to require a more rigorous minimum curriculum for high school graduation than specified in ORC 3313.603. Boards of education, through the adoption of resolutions, may stipulate a minimum high school curriculum that requires more than twenty units of academic credit to graduate.

# Recommendations

## 2.1 Examine curriculum and elective course offerings on an annual basis.

SWLLSD should examine course curriculum and student interest in elective offerings on an annual basis to determine an appropriate level of program offerings in relation to State graduation requirements. SWLLSD administrators must weigh the benefits of offering a broad array of elective courses with the elevated salaries and benefits that result from the additional offerings. When examining course design, the District should take into consideration potential class size (based on student interest), available resources, desired educational outcomes, community input, and the ultimate cost impact to the District. It also should consider alternative means of service delivery for electives, such as partnering with neighboring districts and using distance learning.

SWLLSD requires its students to earn 21 units in courses that include the following:

- Language arts (4 units);
- Mathematics (4 units);
- Science (3 units);
- Social studies (3 units);
- Health and physical education (1 unit); and
- Electives (6 units).

Based on SWLLSD’s total number of units required to graduate and the specified number of units per curriculum, the District exceeds the requirements set forth in ORC 3313.603 (**Table 2-1**) by one unit. **Table 2-2** displays the course offerings by required subject area for Watkins Memorial High School.

**Table 2-2: SWLLSD Required Course Offerings**

Courses	Grade 9	Grade 10	Grade 11	Grade 12
<b>Language Arts</b>				
English 9; Honors English 9				
English 10; Honors English 10				
English 11; Honors English 11				
AP Literature & Composition				
College English 12				
AP Language & Composition				
Everyday English <sup>1</sup>				
Contemporary Literature <sup>1</sup>				
Journalism <sup>1</sup>				
Mythology <sup>1</sup>				

Mathematics				
Algebra I-A				
Algebra I-B				
Algebra I				
Geometry				
Geometry C				
Honors Geometry				
Algebra II				
Honors Algebra II				
Integrated Math A&B <sup>1</sup>				
Introduction to Statistics; Honors Statistics				
Advanced Math				
Honors Advanced Math				
AP Calculus AB				
Physical Education				
Physical Education				
Adaptive Physical Education				
Physical Education Conditioning				
Elective Physical Education				
Health				
Science				
Science 9; Honors Science 9				
Biology; Honors Biology				
College Biology				
Biology II				
Earth Science				
Human Anatomy & Physiology I				
Human Anatomy & Physiology II <sup>1</sup>				
Environmental Science				
Physics				
Chemistry				
AP Chemistry				
Social Studies				
World Studies				
American Studies				
American Government <sup>1</sup>				

Source: SWLLSD

<sup>1</sup> Represents one-half unit

As shown in **Table 2-2**, the core courses offered by the District exceed the graduation requirements set forth in ORC 3313.603 in the following areas:

- **Language Arts** – Districts are required to provide four units of language arts for

students to graduate. SWLLSD offers 11 different units (13 class offerings).

- **Mathematics** – Districts are required to provide four units of mathematics for students to graduate. SWLLSD offers 13 different units of mathematics (14 class offerings).
- **Science** – Districts are required to provide three units of science for students to graduate. SWLLSD offers 12.5 units of science (13 class offerings).
- **Social Studies** – Districts are required to provide three units of social studies for students to graduate. SWLLSD offers 5 units of social studies (8 class offerings).

**Table 2-2** also illustrates that SWLLSD provides advanced placement (AP or honors) courses. ORC 3324.07 states that school districts are not required to implement gifted education plans to provide gifted courses to identified students. Advanced placement courses are offered as they contribute to the overall educational outcome of students. Offering AP courses increases the overall instructional and per pupil costs.

ORC 3313.603 also requires students to complete five units of electives, consisting of any combination of the course subjects listed in **Table 2-1**. **Table 2-3** outlines the elective courses offered at SWLLSD.

**Table 2-3: SWLLSD Elective Course Offerings**

Courses	Grade 9	Grade 10	Grade 11	Grade 12
<b>Art</b>				
Ceramics I&II				
Advanced Ceramics				
Drawing I&II				
Painting I&II				
Sculpture I&II				
Advanced Art Studies				
Themes in Art & Music				
The Arts & Humanity				
Visual Communication I&II				
High Performance Acting				
<b>Business</b>				
Accounting I				
Business Management				
Introduction to Business				
Business Math				
International Business				
Business Law				
Business Technologies				
Business Projects & Applications				
Computer Skills I&II				

Family & Consumer Sciences				
Career Search				
Healthy and Safe Foods				
Manage Transitions				
Healthy Living				
Financial Management				
Child Development				
Foreign Language				
French IV <sup>1</sup>				
German I				
German II				
German III				
German IV				
Spanish I&II				
Spanish III				
Spanish IV				
Industrial Technology				
Basic Photography				
Advanced Photography				
Photography - Independent Study				
Print Production				
Wood Technology				
Electric Welding				
Gas Welding				
Introduction to Industrial & Engineering				
Industrial & Engineer - Design				
Industrial & Engineer - Practice				
Music				
Concert Choir				
Symphonic Choir				
Vocal Ensemble				
Independent Study - Vocal				
Music for Life				
Music Theory				
Themes in Music				
Arts & Humanity				
Marching Band				
Marching and Symphonic Band				
Symphonic Band				
Jazz Ensemble				
Music Technology				
Independent Study - Instrumental Music				

Social Studies			
American Civil War <sup>2</sup>			
Sociology <sup>2</sup>			
Psychology <sup>2</sup>			
Economics <sup>2</sup>			
International Relations & Foreign Policy <sup>2</sup>			

Source: SWLLSD

<sup>1</sup> The District is phasing out French that is why it is only offered to seniors.

<sup>2</sup> Classes that are half units

As shown in **Table 2-3**, SWLLSD offers a variety of elective course offerings that enable its students to fulfill graduation requirements set forth by the State. SWLLSD administrators should be cognizant of the number of elective courses the District offers. While a broad array of electives will benefit students and the level of education they obtain, a large number of elective courses will drive up instructional costs and could dilute pupil-teacher ratios for each program area.

**Table 2-4** shows the students per class for each major program offered by SWLLSD for the high school and the junior high school.

**Table 2-4: Class Sizes by Major Program**

	Students per Class			
	Middle School		High School	
	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11
<b>Art</b>	20.4	15.0	13.9	14.1
<b>Business</b>	N/A	N/A	14.0	15.9
<b>English</b>	21.6	18.9	19.6	20.0
<b>Family and Consumer Sciences</b>	14.9	0.0	28.3	27.8
<b>Foreign Language</b>	19.1	23.1	19.1	24.3
<b>Industrial Technology</b>	15.8	14.2	16.0	20.6
<b>Math</b>	21.2	19.9	19.4	21.8
<b>Music</b>	37.6	32.5	21.2	21.6
<b>Physical Education</b>	26.3	28.4	21.8	23.3
<b>Science</b>	21.7	21.6	17.6	19.1
<b>Social Studies</b>	24.7	22.7	22.3	22.1
<b>Technology</b>	15.7	22.8	17.9	17.7
<b>Total classes</b>	319	306	411	396
<b>Average students per class</b>	<b>22.2</b>	<b>21.7</b>	<b>19.3</b>	<b>20.7</b>
<b>Classes &lt; 20</b>	99	129	201	148
<b>% Classes &lt; 20</b>	31.0%	42.2%	48.9%	37.4%

Source: SWLLSD

N/A = Not applicable

As shown in **Table 2-4**, approximately half of the classes offered by SWLLSD at its high school had fewer than 20 students in FY 2009-10 compared with 31 percent for the middle school. For FY 2010-11 the number of less populated class offerings was lowered to approximately 37 percent for the high school, but increased to approximately 42 percent at the middle school. Specifically, class offerings for art, business, science, and technology were all scheduled to have fewer than 20 students at the high school in FY 2010-11. For the middle school, class offerings for art, english, industrial technology, and math were all expected to have fewer than 20 students in FY 2010-11.

**Table 2-5** shows the cost per major program offered by SWLLSD compared to the peers.

**Table 2-5: FY 2009-10 High and Middle School Instructional Expenditures**

Program	SW Licking		Peer Average <sup>1</sup>		Difference	
	Expenditures	Expenditures per Student	Expenditures	Expenditures per Student	Expenditures	Expenditures per Student
Art	\$642,217	\$314	\$382,695	\$196	\$118	166.7%
Business/Technology	\$256,950	\$126	\$102,173	\$55	\$71	78.0%
English	\$1,672,346	\$818	\$842,591	\$475	\$343	138.4%
Foreign Language	\$378,954	\$185	\$309,008	\$103	\$82	125.6%
Industrial Technology	\$301,739	\$148	\$86,082	\$15	\$133	11.4%
Math	\$1,328,692	\$650	\$913,212	\$330	\$320	103.1%
Music	\$598,273	\$293	\$381,124	\$120	\$173	69.4%
Physical Education	\$785,553	\$384	\$464,396	\$149	\$235	63.1%
Science	\$1,285,290	\$629	\$721,492	\$211	\$417	50.7%
Social Studies <sup>2</sup>	\$1,065,348	\$521	\$760,176	\$256	\$265	96.6%
<b>Total</b>	<b>\$8,315,361</b>	<b>\$4,066</b>	<b>\$4,962,948</b>	<b>\$2,427</b>	<b>\$1,639</b>	<b>148.0%</b>

**Source:** SWLLSD and peer district BUDSUM and EMIS Enrollment reports

**Note:** Per pupil expenditures were determined using high school and middle school enrollment numbers.

<sup>1</sup>Includes Greenon, Lebanon, and Northeastern

<sup>2</sup>Includes family and consumer sciences expenditures

As shown in **Table 2-5**, SWLLSD incurred instructional expenditures per student that exceeded the peer district average by \$1,639 for FY 2009-10. SWLLSD expenditures exceeded the peer average in every major program category displayed. In particular, instructional expenditures for english, math, and science all exceeded the peer average by more than \$300 per student. Although SWLLSD's instructional expenditures were higher than the peers in FY 2008-09, its academic performance was lower than the peers, as indicated by the following:

- SWLLSD- 23 out of 30 indicators;
- Greenon- 24 out of 30 indicators;
- Lebanon- 29 out of 30 indicators; and
- Northeastern- 26 out of 30 indicators.

SWLLSD exceeds graduation requirements as established in ORC 3313.603. The provision of a significant number of elective and AP classes, however, is reflected in higher per pupil program costs displayed in **Table 2-5**. District administrators have added additional programs to meet new professional and educational demands and the educational outcomes desired by the community. However, this has increased instructional expenditures and administrators have not aggressively examined class sizes and costs when determining future class offerings.

By closely examining areas where the District offers several courses in excess of requirements (such as the english, math, and science programs) or areas of small class sizes (such as the art, business, and technology programs), SWLLSD could tailor its course offerings to provide a broad array of options but at reduced costs to the District.

---

## 3. Transportation

---

### Background

This section of the performance audit focuses on the SWLLSD transportation operations. Transportation operations were evaluated and compared with best practices, operational standards, and selected peer school districts. Comparisons were made for the purpose of developing recommendations to improve the efficiency and effectiveness of business practices and, where appropriate, to reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), Legislative Office of Education Oversight (LOEO), American Association of School Administrators (AASA), Government Finance Officers Association (GFOA), and National Association of State Directors of Pupil Transportation Services (NASDPTS). SWLLSD offers Type I yellow bus transportation, using Board-owned and operated buses to transport regular and special needs student riders.

ORC 3327.01 requires that, at minimum, school districts provide transportation to and from school to all students in kindergarten through eighth grade who live more than two miles from their assigned schools. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to other students. In addition, school districts must provide transportation to disabled students who are unable to walk to school, regardless of the distance. According to OAC 3301-51-10, when required by an individualized educational plan (IEP), school districts must provide specialized door-to-door transportation to special needs students based on the unique needs of the child. The District's practice is to transport all students in grades kindergarten through 12 who live further than 1 mile from their school.

### *Staffing*

In FY 2008-09, the Transportation Department consisted of a total of 60 employees, including 36 bus drivers, 8 substitute drivers, 6 bus aides, 2 substitute bus aides, 2 full-time mechanics, 3 secretaries, 1 substitute secretary, 1 supervisor, and 1 assistant supervisor. In FY 2009-10, the Transportation Department increased the number of substitute drivers and aides and consisted of a total of 65 employees, including 36 bus drivers, 11 substitute drivers, 5 bus aides, 5 substitute bus aides, 2 full-time mechanics, 3 secretaries, 1 substitute secretary, 1 supervisor, and 1 assistant supervisor.

### *Demographic Comparisons*

SWLLSD used 37 active and 14 spare buses to provide transportation services to students during FY 2008-09. Transportation is provided to special education students who attend schools both within and outside of SWLLSD.

SWLLSD provided transportation to 2,489 Type I (yellow bus) riders during FY 2008-09. Public, regular needs riders comprised 92.5 percent of all students transported on buses during FY 2008-09. Non-public school riders comprised approximately 5.3 percent, and the remaining 2.2 percent were special needs riders. The District did not transport any community school students during FY 2008-09. In addition, the District reported 35 Type IV (payment in lieu of transportation) students during FY 2008-09.

In FY 2009-10, SWLLSD provided transportation to 2,524 Type I riders, a slight increase over the prior year. Public, regular needs riders comprised 93.7 percent of all students transported on buses during FY 2009-10. Non-public and community school riders comprised approximately 4.1 percent, and the remaining 2.2 percent were special needs riders. In addition, the District reported 29 Type IV (payment in lieu of transportation) students during FY 2009-10.

### *Operating Statistics*

Compared with the peer average, SWLLSD has a larger enrollment, and at 65 square miles, is slightly larger geographically. As of FY 2008-09, SWLLSD transported approximately 3.4 percent more yellow bus riders, which can be attributed to higher overall enrollment and offering transportation to almost all students. It actually transports approximately 64.4 percent of its student population. The peers are similar in this regard, transporting an average of 65.4 percent of their overall student populations. The District also has a larger fleet which travels slightly more (4.9 percent) annual routine miles per active bus than the peer average, as illustrated in **Table 3-1**.

**Table 3-1** shows a comparison of the District's transportation statistics with the peer averages for FY 2008-09.

**Table 3-1: Pupil Transportation Operating Statistics (FY 2008-09)**

	SWLLSD	Peer Average	Percent Above (Below)
Square Miles	65	59.8	8.7%
ODE Enrollment	3,927	3,687.4	6.5%
Total Students Transported (All Types)	2,527	2,412.2	4.8%
<b>Total Yellow Bus Riders</b>	<b>2,489</b>	<b>2,406.6</b>	<b>3.4%</b>
• Regular Riders	2,435	2,332.4	4.4%
• Public (Regular Needs)	2,303	2,184.4	5.4%
• Non-Public	132	139.8 <sup>1</sup>	(5.6%)
• Community (Regular Needs)	0.0	8.2	(100.0%)
• Special Needs	54 <sup>5</sup>	74.2 <sup>2</sup>	(27.2%)
<b>Buses</b> <sup>3</sup>			
• Regular Buses	33	22	50.0%
• Special Needs Buses	4	3	33.3%
• Active Buses	37	25	48.0%
• Spare	14	11	27.3%
Miles - Annual Routine Miles <sup>4</sup>	557,280	355,284	56.9%
<b>Operating Ratios</b>			
• Daily Miles per Rider	1.24	0.82	52.3%
• Riders Per Square Mile	38.3	43.9	(12.8%)
• Enrollment Per Square Mile	60.4	67.5	(10.5%)
Regular Riders Per Regular Bus	73.8	107.6	(31.4%)
Yellow Bus Riders Per Active Bus	67.3	98.5	(31.7%)
ODE Efficiency Ratio	1.0	1.7	(38.9%)
Routine Miles Per Active Bus	15,061.6	14,354.3	4.9%
Spare Bus Ratio	27.5%	30.7%	(10.4%)
Percent Public Riders	92.5%	90.8%	1.9%
Percent Special Needs Riders	2.2%	3.2%	(31.5%)
Percent Non-Public & Community School Riders	5.3%	6.0%	(12.2%)

**Source:** Southwest Licking LSD and ODE

Note: Peer averages and ratios may not foot and cross-foot due to rounding.

<sup>1</sup> Excludes peers that reported zero Type I and II non-public/community school riders.

<sup>2</sup> Excludes peers that reported zero Type I and II special needs riders.

<sup>3</sup> Includes Type I and II buses.

<sup>4</sup> Trips necessary for the daily attendance of children in their educational programs. "Non-routine miles" typically refers to field trips and related trips for which expenditures are not reimbursed by ODE.

<sup>5</sup> District inaccurately reported number of special needs students on T-1 report and could not determine how many special needs students it had transported in FY 2008-09. After further assessment, AOS determined that the District actually transported 9 special needs students in FY 2008-09, but the data was not adjusted as it did not impact the outcome of this analysis.

As **Table 3-1** shows, the regular ridership per bus at SWLLSD (73.8) was approximately 31.4

percent lower than the peer average (107.6) in FY 2008-09. When special needs students are included, SWLLSD’s riders per bus dropped to 67.3, which is 31.7 percent lower than the peer average of 98.5.

The District’s ridership per square mile is lower than the peer average by approximately 12.8 percent and its routine miles per bus are 4.9 percent higher than the peer average. The District is rural and the buses, in some cases, provide door-to-door service to students due to the lack of cluster stops and sidewalks. According to the Transportation Supervisor, students may spend up to 50 minutes or longer on the bus. **Table 3-2** compares SWLLSD’s bus transportation expenditures to the peer averages. In FY 2008-09, SWLLSD spent nearly \$2.2 million to provide Type I pupil transportation services. Of this amount, the District received about 46.8 percent (\$1,020,177) in State reimbursement from ODE, approximately 21 percent below the peer average.

**Table 3-2: Type I Pupil Transportation Expenditures Per Rider (FY 2008-09)**

Expenditure Category (Per Rider)	SWLLSD	Peer Average	Percent Above (Below)
Salaries	\$458.50	\$244.82	87.3%
Benefits <sup>1</sup>	\$212.21	\$153.89	37.9%
Maintenance and Repairs <sup>2</sup>	\$86.08	\$80.54	6.9%
Fuel	\$86.69	\$56.63	53.1%
Bus Insurance	\$11.08	\$9.98	11.1%
All Other Costs	\$12.32	\$15.94	(22.7%)
<b>Total Type I Expenditures</b>	<b>\$866.88</b>	<b>\$561.80</b>	<b>54.3%</b>

Source: SWLLSD and ODE

Note: These figures exclude non-reimbursable General Fund expenditures for capital outlay and non-routine transportation, per ODE instructions.

<sup>1</sup>Includes retirement, workers’ compensation, and employee insurance.

<sup>2</sup>Includes mechanic salaries, mechanic helper wages, maintenance and repairs, tires and tubes, and maintenance supplies.

As **Table 3-2** shows, on a per rider basis, SWLLSD spends approximately 54.3 percent more than the peers on transportation. Only the District’s “All Other Costs” category is lower than the peer averages.

*Expenditure Ratios*

**Table 3-3** shows the historical transportation cost ratios at SWLLSD by category, based on ridership, buses, and mileage.

**Table 3-3: Historical Transportation Cost Ratios (FY 2008-09)**

	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>Change vs. Prior Fiscal Year</b>	<b>FY 2008-09</b>	<b>Change vs. Prior Fiscal Year</b>	<b>Change vs. Two Fiscal Years Ago</b>
<b>Salaries</b>	<b>\$1,034,467.00</b>	<b>\$1,143,240.00</b>	<b>10.5%</b>	<b>\$1,141,206.00</b>	<b>(0.2%)</b>	<b>10.3%</b>
Per Bus Rider	\$350.90	\$370.70	5.6%	\$458.50	19.1%	30.7%
Per Active Bus	\$27,958.57	\$30,085.26	7.6%	\$30,843.41	2.5%	10.3%
Per Routine Mile	\$1.76	\$1.76	(0.4%)	\$2.05	14.2%	16.1%
<b>Benefits</b>	<b>\$476,479.00</b>	<b>\$525,231.00</b>	<b>10.2%</b>	<b>\$528,203.00</b>	<b>0.6%</b>	<b>10.9%</b>
Per Bus Rider	\$161.63	\$170.31	5.4%	\$212.21	19.7%	31.3%
Per Active Bus	\$12,877.81	\$13,821.87	7.3%	\$14,275.76	3.2%	10.9%
Per Routine Mile	\$0.81	\$0.81	(0.7%)	\$0.95	14.9%	16.7%
<b>Maintenance &amp; Repairs</b>	<b>\$244,003.00</b>	<b>\$229,677.00</b>	<b>(5.9%)</b>	<b>\$214,243.00</b>	<b>(7.2%)</b>	<b>(12.2%)</b>
Per Bus Rider	\$82.77	\$74.47	(10.0%)	\$86.08	13.5%	4.0%
Per Active Bus	\$6,594.68	\$6,044.13	(8.3%)	\$5,790.35	(4.4%)	(12.2%)
Per Routine Mile	\$0.42	\$0.35	(15.2%)	\$0.38	8.2%	(7.6%)
<b>Fuel</b>	<b>\$231,366.00</b>	<b>\$316,732.00</b>	<b>36.9%</b>	<b>\$215,779.00</b>	<b>(46.8%)</b>	<b>(6.7%)</b>
Per Bus Rider	\$78.48	\$102.70	30.9%	\$86.69	(18.5%)	10.5%
Per Active Bus	\$6,253.14	\$8,335.05	33.3%	\$5,831.86	(42.9%)	(6.7%)
Per Routine Mile	\$0.39	\$0.49	23.4%	\$0.39	(25.7%)	(1.8%)
<b>Bus Insurance</b>	<b>\$25,646.00</b>	<b>\$27,363.00</b>	<b>6.7%</b>	<b>\$27,583.00</b>	<b>0.8%</b>	<b>7.6%</b>
Per Bus Rider	\$8.70	\$8.87	2.0%	\$11.08	19.9%	27.4%
Per Active Bus	\$693.14	\$720.08	3.9%	\$745.49	3.4%	7.6%
Per Routine Mile	\$0.04	\$0.04	(3.8%)	\$0.05	15.1%	13.2%
<b>All Other Costs</b>	<b>\$33,909.00</b>	<b>\$42,700.00</b>	<b>25.9%</b>	<b>\$30,661.00</b>	<b>(39.3%)</b>	<b>(9.6%)</b>
Per Bus Rider	\$11.50	\$13.85	20.4%	\$12.32	(12.4%)	7.1%
Per Active Bus	\$916.46	\$1,123.68	22.6%	\$828.68	(35.6%)	(9.6%)
Per Routine Mile	\$0.06	\$0.07	13.5%	\$0.06	(19.2%)	(4.8%)
<b>Total Expenditures</b>	<b>\$2,045,870.00</b>	<b>\$2,284,943.00</b>	<b>11.7%</b>	<b>\$2,157,675.00</b>	<b>(5.9%)</b>	<b>5.5%</b>
<b>Per Bus Rider</b>	<b>\$693.99</b>	<b>\$740.90</b>	<b>6.8%</b>	<b>\$866.88</b>	<b>14.5%</b>	<b>24.9%</b>
<b>Per Active Bus</b>	<b>\$55,293.78</b>	<b>\$60,130.08</b>	<b>8.7%</b>	<b>\$58,315.54</b>	<b>(3.1%)</b>	<b>5.5%</b>
<b>Per Routine Mile</b>	<b>\$3.49</b>	<b>\$3.51</b>	<b>0.7%</b>	<b>\$3.87</b>	<b>9.3%</b>	<b>11.0%</b>

Source: SWLLSD's T-2 reports

**Table 3-3** shows that overall, transportation expenditures increased by approximately 11.7 percent in FY 2007-08, but decreased by 5.9 percent in FY 2008-09. Although total expenditures decreased in FY 2008-09, expenditures per rider and per mile increased, indicating reduced transportation efficiency. It is important to note that the District's transportation reporting also exhibited data reliability issues and the information used may not be reliable.

---

## Recommendations

### 3.1 Develop and implement written procedures for completing, reconciling, and submitting transportation reports to ODE.

**SWLLSD should develop and implement written procedures for completing, reconciling, and submitting transportation reports. The Transportation Supervisor and the Treasurer should verify that all expenditures and operational data reported on the T-2 and T-1 reports are consistent with ODE instructions. The Supervisor and Treasurer should ensure that all expenditures reported on the T-2 are included and documentation is maintained to show the District's methodology and support the expenditures reported.**

Each school district in Ohio is required to report on annual basis detailed information to the ODE about the district's transportation operations, in order to calculate the district's per pupil transportation payment from the State. The T-1 form is used to report the actual number of students transported, the number of buses, and the total daily miles traveled. The T-2 form is used to report the actual expenses incurred in the transportation of eligible students. Although the District does go through several review and approval processes that include the Transportation Supervisor, Treasurer, and Superintendent, the District has not developed formal standard operating procedures for collecting, submitting, and verifying T-form data reported to ODE. For example, there is no formal collaboration (meeting held) between the transportation personnel and the Treasurer to ensure accuracy and validity of data. Moreover, the District has no documentation identifying which officials are responsible for which aspects of transportation reporting or how various data is obtained and costs are allocated.

The following errors were found on SWLLSD T- reports from FY 2006-07 through FY 2008-09:

- Reported payment of \$4,742 on the FY 2008 T-2 for transporting some student(s) under Type V transportation (Board-owned vans), but did not report the student count on T-1 for FY 2008;
- Did not report school bus insurance costs on the FY 2006-07 T-2 report to ODE. However, the District noticed their mistake and included FY 2006-07 bus insurance cost of \$53,009 on the FY 2007-08 T-2 report;
- Reported transportation of 36 Type 1 special education students on the T-2 for FY 2006-07, but reported 69 special education student(s) on the T-1 for the same year; and
- Reported inaccurate regular student ridership counts. A sample of the District's ridership counts were reviewed by AOS and inaccuracies were found in two of the six student count samples.

According to *Student Transportation in Ohio*, issued by the Legislative Office of Education Oversight (LOEO, 2003), accuracy problems for transportation-related data exist in a number of

school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. One recommendation that was put forth by LOEO was that the Ohio Department of Education (ODE) should continue to work with school districts to improve the accuracy of the data submitted regarding the number of students transported, the average daily bus miles per student, and the cost of transportation services. The first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-reports.

According to *Documentation of Accounting Policies and Procedures* (GFOA, 2002 and 2007) government agencies should develop formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. The documentation of accounting policies and procedures should be readily available to all employees. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Finally, documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

SWLLSD does not have a formal policy on completing the T-reports. In addition, a lack of training partially caused some of the errors noted above. The Transportation Secretary and the Transportation Supervisor have recently attended ODE trainings on how to complete T-forms and consulted with ODE on their methodology. The Treasurer completes the T-2 report and has not received training on how to fill out the report

The lack of formalized standard operating procedures weakens internal controls, especially in the event of employee turnover or absence, and also leads to questions about the reliability of the District's data, since there is no documentation of how data is collected or costs allocated. This increases risks associated with misreporting and may result in a loss of State reimbursement revenue for which SWLLSD is eligible.

### **3.2 Reduce seven buses to achieve improved utilization and efficiency.**

**SWLLSD should increase its operating efficiency by eliminating at least 7 active buses. This would bring its bus utilization in line with the peer average. SWLLSD should regularly review its bus utilization by routinely monitoring ridership levels and altering routes in a manner that coincides with changes in ridership. To increase the number of riders per bus, the District may need to revise its bell schedules to allow for more time between runs. Where transportation is impractical, the District should continue to offer payment in lieu of**

**transportation. When determining which buses to remove from its active fleet, SWLLSD should eliminate the buses with the highest mileage and highest maintenance costs. To help achieve this ridership level, SWLLSD should implement the following recommended practices:**

- **Conduct frequent ridership counts (as frequently as one per month) and recalibrate routes to achieve maximum ridership.**
- **Monitor active riders and discontinue service to those who may no longer be using SWLLSD bus service.**
- **Require parents to confirm planned use of District transportation services annually.**

**Due to the District's projected financial deficits, it could reduce a total of 16 buses by going to State minimum standards. However, prior to doing so, the District should review its transportation policy and determine whether a significant cost savings can actually be achieved by adopting State minimum transportation parameters. In doing so, the District should work with ODE to determine any potential reductions in future State reimbursements as a result of reductions in transportation services.**

In FY 2009-10 the District reported using 37 buses to provide transportation services to 2,468 students each day. While the majority of these routes represented regular needs riders attending District operated buildings, approximately 7.5 percent of the students transported by the District represented non-public and special needs riders. The ODE target capacity ratio for SWLLSD takes into account the population density, square miles and regular buses and is 65 students per bus. The District transported an average of 72 students per bus.

SWLLSD has employed a number of routing methods to improve efficiency, such as a two-tiered routing system, staggered bell schedules, and cluster stops around neighborhoods to balance the need for efficiency with the desire to avoid requiring any children to cross intersections and other hazards. The District's policy on transporting students indicates an adoption of the State minimum transportation levels. However, in practice, the District provides service above the State minimum requirements, transporting all students who live more than 1 mile from their school. Furthermore, the District does offer door-to-door service in the more rural areas where cluster stops are deemed impractical due to the long walking distances required to reach the stop. The Transportation Supervisor indicated that while some rural routes can take as long as 50 minutes, many of the District's routes are no more than 30 minutes because of the close timing of the bell schedules. In addition, the District uses VersaTrans computer routing software to route buses.

**Table 3-4** compares SWLLSD's regular needs ridership with the American Association of School Administrators (AASA) benchmark, which suggests buses should operate at 80 percent of their capacity. **Table 3-4** analysis is based on updated T-1 data reported to ODE.

**Table 3-4: Regular Needs Ridership Comparison with Industry Standards (FY 2009-10)**

Total # of Active Regular Buses <sup>1</sup>	32.0
Benchmark Capacity	3,133
Benchmark Capacity per Bus	97.9
Number of Regular Type 1 Riders	2,468
Average Number of Riders per Bus	77.1
Number of Buses to Achieve Benchmark	25.2
Number of Buses to Reduce	6.8

**Source:** ODE, Southwest Licking LSD, and AASA

<sup>1</sup> Includes regular student buses, nonpublic, and community school riders.

As shown in **Table 3-4**, the District could potentially reduce seven buses from its fleet if it were to achieve the benchmark utilization of 80 percent.

In a continuing effort to provide school districts with tools to assist in providing safe and efficient pupil transportation service, ODE has calculated efficiency targets to assist with management goals. The concept of efficiency measures is a work product of the statewide pupil transportation advisory group created during the process of designing a new method for funding pupil transportation. The intent is to create a benchmark that districts can use to compare themselves with other district in the state on a common measure. In this model, efficiency is measured by the number of regular education students that are transported per school bus in a school district. The model establishes a target student per bus value for each district in the state. Districts that exceed that target are defined as efficient relative to other districts in the state. The formula is dynamic, using actual reported data from T-1 reports submitted in October of each school year. The calculation will be updated annually to reflect the current year data. The initial target value is determined by calculating a student per bus ratio for every school district in the state, excluding the 10 highest and 10 lowest values, and then calculating the median rider ratio. Districts with a ratio over 1.0 are defined as efficient relative to other school districts. Higher ratios indicate higher relative efficiency. SWLLD's efficiency ratio, as determined by ODE for FY 2009-10 is 1.11.

According to *Hidden Savings in Your Bus Budget* (AASA, September 2006), operating buses more efficiently is one of the most effective ways to achieve savings in a school district's transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. AASA further states that effective pupil-to-bus ratios should average at least 100 pupils on a double route, two-tier bus system. AASA also recommends buses operate at 80 percent of rated capacity. *School Bus Seat Capacity* (NASDPTS, October 1999) recognizes that school buses transport students of all sizes, and calculates capacity based on three elementary students per seat and two middle or high school students per seat.

The ability to run multiple tiers allows a district to maximize bus capacity and reduce the number

of buses it needs in its fleet. Cluster stops, in contrast to door-to-door pickups, allow buses to improve efficiency by making fewer stops and minimizing travel time. In addition, computer routing software enhances the efficiency of routing buses, identifying optimal routes and allowing rerouting without significant additional labor

SWLLSD has worked to avoid longer routes and keeping students on the bus for longer times. The District also encounters pressure from parents to keep route times short. It therefore uses more buses than it needs to operate at optimal efficiency. In addition, the District does not reroute throughout the year to accommodate changes in its ridership based on extracurricular activities.

SWLLSD could achieve immediate cost savings by improving the utilization rate of its bus fleet. If it reduced 7 buses to meet benchmark efficiency in its transportation operation, the District could save approximately \$244,000 per year. The cost savings include salaries, benefits, fuel, and maintenance costs per bus. If the District's financial condition continues to deteriorate and additional savings are needed, it could eliminate up to 16 buses by adopting State minimum standards at a cost savings of \$576,000 per year. However, this will impact SWLLSD's efficiency and reduce the funding it receives for transporting high school students and elementary students residing between 1 and 2 miles. Therefore, the District should perform a cost-benefit analysis prior to adopting State minimum standards.

*Financial Implication:* A minimum reduction of 7 regular needs buses would save the District \$244,000 annually.

### **3.3 Improve internal controls and security over unsecured fuel dispensing systems.**

**SWLLSD should improve the internal controls over its unsecured fuel dispensing systems. Specifically, the District should require submission of a monthly mileage and fuel use report for each bus driver using the system to reduce the risk of theft or misappropriation. The District should also develop written internal control policies and procedures for dispensing fuel and reporting its use. These should be included in the "drivers handbook" and include secondary oversight by an employee outside the Transportation Department. The District should immediately secure the location of its fuel tanks by installing locks at the gates. Finally, the District should inquire about installing a fuel card security system to both fuel tanks that will enable the District to track fuel use for each bus driver.**

The District does not have adequate security for its fuel tanks. The District has two underground fuel tanks located within its former bus garage at Watkins Memorial High School, approximately seven miles away from the District's current bus garage. One is a diesel fuel tank with a capacity of 10,000 gallons, and the other is a gasoline fuel tank with a capacity of 4,000 gallons. The fuel tanks are locked with padlocks but they are in the open with no protection. They are not fenced in or in a locked compound, every vehicle driver in the District has a key to the fuel tanks to get fuel at any time, and there are no security cameras at the fueling facility. There is a fuel monitoring

device called the “Veeder-Root,” which records the amount of fuel remaining in both tanks to alert the Transportation Supervisor when fuel volume has become low so that a refill can be ordered. There is no monitoring device to record amount of fuel taken by a driver or when fuel was dispensed. At one time, SWLLSD used a device called a “Cardgard,” which was used to record fuel usage, but it is no longer operational and has not been used for several years.

Therefore, the District does not have a means to track fuel by driver or by bus at the pump. This inhibits SWLLSD's ability to track fuel usage or to ensure the appropriate use of fuel. Instead, drivers complete daily sheets showing the number of gallons used each day which is turned in to the Transportation Supervisor at the end of each month. These sheets are not reconciled to other data and the Transportation Supervisor cannot ensure that fuel use matches the overall totals reported by drivers or provide the District with detailed information to adequately track the use of fuel. Furthermore, there is no District policy stating that employees are not allowed to use fuel for personal purposes.

According to School Bus Yard Burglaries (Alliance for Schools for Cooperative Insurance Programs, September 2004), school districts should consider whether or not existing security measures are adequate to deter and prevent burglary and vandalism. Such security measures include perimeter security, yard lighting, security systems, and closed captioned cameras.

Similarly, Rural Crime Prevention: Fuel Tank Security (Washington State Department of Agriculture, 2006) recommends using the following measures to secure fuel:

- Close and lock valves on all tanks when not in use;
- Turn off power to the pumps;
- Keep track of fuel purchases and monitor usage;
- Keep a written record of fuel usage; and
- Enclose fuel tanks with a fence.

In its *FleetSolutions* magazine (January/February 2009), the National Association of Fleet Administrators (NAFA) outlines the multiple benefits of electronic fuel cards, which can have similar benefits regardless of whether they are used at service stations or a centralized fuel tank. Fuel cards allow organizations to monitor fuel usage by driver or by vehicle, to keep track of the mileage at each refueling, and to place limitations on who has access to fuel. Tracking fuel usage at this level provides transportation managers with information to pinpoint any inappropriate or inefficient patterns of activity. According to NAFA, fuel card systems help organizations lower their costs by identifying and quickly resolving variances in fuel usage, reducing overall usage, and cutting back on the amount of paper used for reporting.

According to *Public Works Management Practices Manual* (APWA), fuel inventory systems should meet all applicable regulations and identify gallons of fuel received from vendors by location, date, and cost; and identify fuel issued by vehicle number, quantity, type, and location.

Gallons of fuel on hand are identified by location, date, and type. Issuances, receipts, and current inventory levels are tracked to determine any variances from recorded inventory levels. Monitoring fuel usage assists in detecting fuel leaks; and fuel inventory is routinely reconciled.

Finally, most school districts have written policies stating that employees are not allowed to use district properties for personal purposes. For example, Edison LSD in Jefferson County, in its administrative guidelines states that employees may not use any of the District's equipment or supplies for personal reasons. Although it does not contain specific instructions about using fuel, it covers all property and supplies including fuel.

According to the Transportation Supervisor, the District has not identified a problem with fuel abuse or theft and that is why it has not implemented internal controls or a security system over its fuel supply. By properly securing its buses, equipment, parts, supplies, and fuel, the District can prevent improper or inefficient use and/or theft of these items. Without a system for monitoring fuel usage at the bus level, the District is vulnerable to inefficient or inappropriate fuel usage. Moreover, implementing a fuel swipe card system would help the District better monitor the activity of its drivers, and the efficiency of the transportation operation.

*Financial Implications:* Based on industry-provided information, SWLLSD could purchase an electronic fuel monitoring system for approximately \$10,000.

### **3.4 Seek competitive bids, issue RFPs to multiple vendors for the procurement of fuel, actively compare prices, and when appropriate, use consortia to purchase fuel.**

**SWLLSD should seek competitive bids or issue RFPs to multiple vendors for the procurement of fuel and actively compare prices to determine whether it should consider purchasing fuel from other consortia (e.g., DAS). Upon vendor selection, the District should formalize its agreement via a contract to minimize risk and better ensure mutual adherence to established expectations for service. The District should also apply for State fuel tax refunds annually, which will help subsidize bus maintenance costs.**

According to the Transportation Supervisor, the District attempts to minimize its fuel-related costs by maintaining a centralized fuel tank (10,000 gallons) onsite. However, Southwest Licking LSD's fuel expenditures per mile are slightly higher than the peer average and are attributable to operating inefficiently with low bus capacity resulting in a need for more buses and not receiving the best price for fuel. The following table compares SWLLSD's Type I fuel expenditure ratios to peers.

**Table 3-5: FY 2008-09 Type I Fuel Expenditure Comparison**

	Southwest Licking LSD	Peer Average
Buses	37	25
Routine Miles (Per Bus)	15,061	14,354
<b>Fuel Expenditures</b>		
Per Bus	\$5,831	\$5,550
Per Routine Mile	\$.39	\$.39

Source: Southwest Licking LSD and peer T-1 and T-2 reports

As shown in the **Table 3-5**, SWLLSD's fuel costs are similar to the peer average per routine mile but higher than the peers on a per active bus basis by five percent. **Table 3-6** shows SWLLSD's actual fuel costs for December 2009 through April 2010 compared to the Ohio Department of Administrative Services (DAS) cooperative fuel purchasing program prices for that same timeframe.

**Table 3-6: DAS Fuel Cost Comparison**

Invoice Date	Number of Gallons Purchased	Type of Fuel	SWLLSD (Cost per gallon) <sup>1</sup>	DAS (Cost per gallon) <sup>2</sup>	\$ Difference
12/15/2009	7,501	Diesel Supreme	\$2.41	\$2.34	(\$0.07) total savings = \$510
1/7/2010	1,981	Regular Gas	\$2.58	\$2.52	(\$0.06) total savings = \$111
1/14/2010	7,501	Diesel Supreme	\$2.51	\$2.43	(\$0.08) total savings = \$638
2/17/2010	7,500	Diesel Supreme	\$2.50	\$2.39	(\$0.11) total savings = \$793
3/10/2010	7,499	Diesel Supreme	\$2.61	\$2.52	(\$0.09) total savings = \$660
3/23/2010	1,999	Regular Gas	\$2.61	\$2.59	(\$0.02) = savings is minor
4/8/2010	7,497	Diesel Supreme	\$2.71	\$2.69	(\$0.02) = savings is minor
4/30/2010	7,501	Diesel Supreme	\$2.75	\$2.72	(\$0.03) = savings is minor
5/24/2010	7,499	Diesel Supreme	\$2.35	\$2.33	(\$0.02) = savings is minor
<b>Total</b>					<b>\$2,712 cost savings over a 5 month period or \$542 per month x 12 months = \$6,500 savings per year</b>

Source: SWLLSD fuel invoices and DAS

<sup>1</sup> Includes State Road Tax

<sup>2</sup> Includes State Road Tax of \$.28 per gallon and delivery charge (DAS fuel –Tank Wagon < 5,000 gallons of \$.054 per gallon and transportation Delivery fees > 5,000 gallons of \$.039 per gallon listed in DAS fuel contract for District 5 in Licking County)

As shown in **Table 3-6**, SWLLSD pays between \$.01 and \$.11 more per gallon for diesel and unleaded fuel compared with the State cooperative purchasing program. This is an indication that the District could pay less in fuel by researching other vendors or cooperative purchasing programs. SWLLSD is already a member of DAS and can participate in its cooperative purchasing program. Included in the cost for a gallon of fuel is a highway or motor fuel tax.

The 125th Ohio General Assembly enacted House Bill 95 that provides for a refund of some

motor fuel taxes to public schools. The refund of the tax applies to all fuel purchased on or after July 1, 2003, that is not resold and is used for school or ESC purposes. From July 1, 2003, through June 30, 2004, 2 cents per gallon is refundable. Starting July 1, 2004, 4 cents is refundable. All public school operations qualify for a refund for any type of school-related fuel expenditures (e.g., transportation of students, operation of service vehicles, lawn mowers). Refunds may be filed for any length of time as long as the refund is for at least 100 gallons and is within 365 days from when the fuel was purchased.

SWLLSD's higher than average fuel expenditures result from several factors. First, the District does not participate in any large fuel purchasing consortia, such as that offered by DAS. Furthermore, it does not regularly solicit competitive bids or issue requests for proposal (RFPs) for fuel procurement. Rather, the District relies on a single local vendor to fill all fuel-related orders without a formal contract. Finally, the District does not apply annually for State fuel tax credits.

By not seeking competitive fuel pricing or participating in a consortium that can obtain lower prices through volume purchasing, the District is not obtaining its fuel at the lowest cost. Furthermore, by not applying for State fuel tax refunds, the District is missing out on reimbursements that could be used to subsidize bus operating costs. Capitalizing on more competitive fuel pricing and fuel tax rebates would help SWLLSD reduce its costs of student transportation.

During the course of this audit, the Treasurer indicated that they have applied for a refund of the motor fuel taxes the District paid in FY 2009-10.

*Financial Implication* By seeking competitive pricing for fuel the District may reduce its costs by approximately \$6,500 per year. By applying for State fuel tax credit the District could receive approximately \$5,700 per year, for total cost savings of \$12,000.

### **3.5 Use VersaTrans software to implement a preventive maintenance program for District vehicles and to track and report all vehicle maintenance and repairs.**

**SWLLSD should use its VersaTrans system to implement a formal preventive maintenance (PM) plan and schedule, track, and report on all vehicle maintenance and repairs. Establishing a PM plan will lower the risk of reactive and costly repairs and replacement that may not be anticipated in the District's budget. Lastly, using VersaTrans, the District could better monitor costs of maintenance repairs to help make decisions regarding staffing levels, outsourcing, and purchasing maintenance parts and tires.**

SWLLSD does not have a written preventive maintenance (PM) program. The District's maintenance is performed by two full-time mechanics and one part-time mechanic helper. According to the Head Mechanic, most of the fleet maintenance work is performed in-house, with

the exception of major work that requires specialized equipment such as wheel alignments and computerized diagnostic work. The mechanics manually track maintenance performed on District's vehicles in the form of maintenance transaction reports. These reports are not detailed invoices, but instead are handwritten notes describing the work performed on specific vehicles and the costs. The Transportation Supervisor tracks the maintenance performed on each bus manually by using the mechanics' notes, but does not keep track of total costs of repairs (labor or parts) and does not use the maintenance tracking module in the District's VersaTrans software. While the District does not have a formal PM plan, the Transportation Supervisor uses a manual system to determine whether or not it is cost-effective to continue maintaining a certain vehicle or to replace it. According to the District's fleet inventory, the average age of its buses, including special needs and spare buses, is eight years old.

**Table 3-7** compares the maintenance and repair expenditure ratios for SWLLSD with the peer average for FY 2008-09.

**Table 3-7: Adjusted Maintenance and Repairs Analysis FY 2008-09**

<b>Maintenance &amp; Repairs</b>			
Per Rider	\$86.08	\$80.54	6.9%
Per Active Bus	\$7,312.81	\$5,427.03	34.7%
Per Routine Mile	\$0.38	\$0.53	(27.4%)

**Source:** ODE T-2 Reports, SWLLSD FY 2008-09 Budwork Report.

**Note:** The District's data submitted to ODE for maintenance and supplies cost was inaccurate (see **R3.1**) and was corrected for this table. SWLLSD reported a total of \$215,243 in maintenance and repairs. According to the District's accounting reports, the total amount should be approximately \$270,574. Additionally, a peer appears to have submitted an unusual maintenance and repairs cost of \$415,000. These two errors have been adjusted to show a more accurate analysis.

As shown in **Table 3-7**, the District's costs for maintenance and repairs were 34.7 percent higher than the peer average on a per active bus basis. On a per rider basis, the District's cost were 6.9 percent above the peer average, which further supports the District's low ridership levels per bus. The District's per mile costs were 27.4 percent below the peer average, which indicates more miles driven per bus than the peers.

As stipulated in OAC 3301-83-22, school buses and other vehicles used to transport school children shall be maintained in safe operating condition through a systematic preventive maintenance program.

The American Public Works Association's *Public Works Management Manual* (APWA, Fourth Edition), states effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs will result in dependable fleets and extended equipment life with lower operation, maintenance, and repair costs. Planning and scheduling maintenance

activities require providing the right maintenance at the right time at the lowest overall cost. The preventive program should include the following steps:

- Schedules are developed for all equipment;
- Routine evaluations of the PM program are performed to ensure timely and effective administration;
- Procedures are developed to respond to emergency repairs or breakdowns;
- Maintenance and repair activities are prioritized and scheduled for maximum shop efficiency; and,
- Maintenance program is evaluated to ensure the program is performed and administered in an effective manner.

A recommendation was made in the 2006 performance audit to purchase the VersaTrans routing system to improve routing. The system also has a preventive maintenance module that could be used by SWLLSD to manage its vehicle maintenance and repairs. However, District Transportation Department staff have not been trained on the software. Because it does not have a PM plan or automated cost tracking system, the District does not have a mechanism to determine the full cost of maintaining its bus fleet in order to make operational decisions.

As previously indicated, the Districts' maintenance costs are high. This is primarily due to inefficiencies in bus capacity and having too many buses. But gaining more control over its maintenance tracking could prevent the District from risking costly repairs when preventive maintenance is not properly performed for each vehicle. Implementing maintenance tracking through its VersaTrans software would help SWLLSD improve tracking and analyzing maintenance and keeping major repair costs in control.

### **3.6 Reduce the number of spare buses in the fleet by six buses.**

**SWLLSD should reduce its spare bus fleet by six buses. This would result in a spare bus ratio that is more consistent with ODE guidelines. The District should annually review the ratio of spare buses to total fleet to ensure that it is making appropriate adjustments based on the changing conditions within its operations.**

The District has 37 active buses (33 regular and 4 special education) and 14 spares, which is 27 percent of its total bus fleet. In FY 2009-10, SWLLSD sold six of its spare buses through public bid and eBay. The eBay sales netted between \$1,400 and \$2,050 in revenue for each bus sold, while the private sales netted around \$200 per bus. One additional bus was sold to the band boosters for \$1.

ODE's Office of Pupil Transportation recommends that District maintain a spare bus ratio of approximately 1 in 5 buses (20 percent). Based on this recommended ratio, the District needed only 10 spare buses in FY 2008-09 and FY 2009-10.

The Transportation Supervisor indicated that SWLLSD does not have a goal for the number of spare buses it needs to maintain in its fleet. Instead, the District keeps a higher number of spares because it receives minimal financial compensation for selling old buses. SWLLSD could reduce its fleet size by up to six buses and remain within recommended parameters for spares as a percentage of the total fleet. Reducing the size of the District's fleet would reduce the costs associated with vehicle insurance and routine maintenance on older spare vehicles. The District would also receive a modest sum for selling the buses.

*Financial Implication:* Assuming SWLLSD could receive the same level of revenue for future sales of its used buses as it did in FY 2009-10 (an average of \$1,725 per bus) it could generate \$10,350 in one-time revenue for the sale of its six spare buses.

### **3.7 Involve transportation personnel in the individualized educational program (IEP) process when determining special needs transportation.**

**The District should involve transportation personnel in the IEP process for students with transportation as a related service. At a minimum, transportation staff should be consulted once the IEP is developed to help determine how to transport these students. Involving the transportation staff in these decisions will help ensure that SWLLSD is complying with Ohio law and that each special needs student is being transported in the safest and most cost-effective manner.**

SWLLSD's transportation policy states that the transportation of eligible vocational or special education children between their home areas and schools outside the District shall be arranged through the use of District-owned vehicles, through cooperation with other districts, through commercial carriers, and/or by other means in the most efficient and economical manner. The policy also states that the District shall abide by State laws and regulations.

According to the Transportation Supervisor, the District transports its special needs students in an effective and efficient manner using special needs buses for the special needs routes. During FY 2008-09, the District used four active special needs buses that were fully devoted to transporting special needs students on special needs routes. This number increased to five in FY 2009-10. According to the Transportation Department, two of these special needs buses were used exclusively for transporting children in pre-school who have IEPs. These students are not transported together with other riders because they are too young, and because their school times and locations are different.

The District mainstreams most special needs riders by transporting them together with regular students on regular buses/regular routes. The Department further stated that transportation is determined by the child's disability level and is normally decided by the Special Education Coordinator. However, there usually are no meetings between the transportation staff and the special education coordinator and/or other officials to discuss IEP students or how best these

students should be transported. According to the Transportation Supervisor, “the Special Needs Coordinator simply calls my office to inform me that a special needs student requires transportation to a specific school starting on a given date.” Although special needs coordinators or advisors have the background to address individual education plans for special needs students, any transportation services for these individuals should include a transportation supervisor who has the background to provide input on the best and most cost efficient way to provide transportation services.

When the District decides that special transportation is needed, the Special Education Coordinator calls the Transportation Supervisor to arrange transportation for the student. A follow-up discussion between the two offices determines what the student requires, what alternatives are available, and how soon the service can be arranged. The District transported a total of nine students with IEPs who needed specialized transportation during FY 2008-09 through FY 2009-10, and currently has that many who need such service for FY 2010-11. Of these nine students with IEPs, one was transported by his/her parents under the parent guardian contract, and the other eight were transported by school bus. According to the Special Education Coordinator, approximately 50 additional preschool students with IEP’s were also transported during FY 2009-10.

Special needs transportation is governed by State law and is dependent on each child’s IEP. “Special transportation” means vehicle transportation service directly related to the child’s disability and required by the IEP. Because the type of special needs transportation service is identified in the IEP, the Transportation Coordinator should have input on the feasibility of the proposed transportation type.

OAC 3301-51-10 (C)(2) stipulates that “school district transportation personnel shall be consulted in the preparation of IEPs when transportation is required as a related service and when the child’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation.” It also states that when required by the IEP, specialized service and door-to-door transportation will be provided based upon the unique needs of an individual child.

School transporters are essential participants in the decision as to whether transportation is a related service for a particular child. Moreover, the IEP must describe accommodations, modifications, and supports that must be provided to the child, and transportation personnel are best able to help determine what assistive resources are available and how they can be used. In other words, the transportation staff is an essential resource in determining not just whether transportation should be required as a related service, but also the best manner in which to provide that transportation.

**Table 3-8** shows a comparison between the District's special needs costs and the peers during FY 2008-09.

**Table 3-8: Special Needs Transportation Cost Comparison**

	<b>SWLLSD</b>	<b>Peer Average</b>	<b>Difference</b>	<b>Percent Difference</b>
Type 1 (Bus) Cost	\$264,734.00	\$242,811.20	\$21,922.80	9.0%
Cost Per Special Needs Rider	\$4,902.48	\$3,272.39	\$1,630.09	49.8%
Type V & VI Costs <sup>1</sup>	\$8,760.00	\$17,859.00	(\$9,099.00)	(50.9%)
<b>Total Cost</b>	<b>\$273,494.00</b>	<b>\$260,670.20</b>	<b>\$12,823.80</b>	<b>4.9%</b>

**Source:** SWLLSD and peer FY 2000-09 T-2 reports.

<sup>1</sup>Excludes peers with no costs reported in these categories. In FY 2008-09 this represented privately owned vehicles (3 students) and payment in lieu of transportation (35 students).

As shown in **Table 3-8**, the District's overall cost for its special needs transportation is 4.9 percent higher than the peer average. On a cost per special needs rider basis, the District's costs are 49.8 percent higher than the peers. The District's Type V and VI costs are 50.9 percent lower than the peers for special needs transportation that is not provided by the District owned buses, but is still paid for by the District.

By not involving the transportation staff in the IEP process, the District may also be decreasing its transportation efficiency or missing out on cost savings in the transportation of special needs students. The goal of the IEP process should be to provide transportation services that meet the needs of the student while avoiding or minimizing additional costs to the District.

## 4. Financial Systems and Facilities

### Financial Systems Background

This section focuses on the strategic and financial management systems in the Southwest Licking Local School District (SWLLSD, or the District). It analyzes strategic planning, financial policies and procedures, and the implementation status of recommendations made in the 2006 performance audit. Plans, procedures, and operations were evaluated and compared with leading practices, industry benchmarks, and operational standards. Leading practices and industry standards were drawn from various sources, including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), and the United States Government Accountability Office (GAO).

As discussed in the **executive summary**, a previous performance audit of SWLLSD was released in 2006. SWLLSD fully implemented 3 (60.0 percent) of the 5 recommendations included in the **financial systems** section of the 2006 performance audit. For those recommendations that did not result in full implementation, recommendations were re-issued within the current performance audit.

#### *Financial Condition*

The allocation of resources among the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, operational expenditures by function level should continually be evaluated and prioritized. **Table 4-1** compares Southwest Licking LSD's FY 2008-09 expenditures on a per pupil basis. Total expenditures are based on ODE's Expenditure Flow Model (EFM).

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

	SWLLSD		Peer Average		Difference Per Pupil	Percent Difference Per Pupil
	Total	Per Pupil	Total	Per Pupil		
<b>Administration</b>	\$4,988,343	\$1,278	\$3,176,936	\$976	\$302	30.9%
<b>Building Operations</b>	\$6,198,178	\$1,588	\$5,852,416	\$1,666	(\$78)	(4.7%)
<b>Staff Support</b>	\$920,827	\$236	\$674,473	\$176	\$59	33.7%
<b>Pupil Support</b>	\$3,439,644	\$881	\$2,683,663	\$763	\$118	15.5%
<b>Instruction</b>	\$18,051,255	\$4,624	\$15,801,836	\$4,554	\$69	1.5%
<b>Total</b>	<b>\$33,598,247</b>	<b>\$8,606</b>	<b>\$28,189,324</b>	<b>\$8,136</b>	<b>\$470</b>	<b>5.9%</b>

Source: FY 2008-09 ODE Expenditure Flow Model Reports

As **Table 4-1** shows, SWLLSD spent 5.9 percent more per pupil than the peer average in FY 2008-09. The following is a brief explanation of the District's spending by category:

**Administration:** SWLLSD spent approximately 30.9 percent more per pupil than the peers. Aside from salary and benefit expenses, these costs were associated with the board of education, superintendent's office, fiscal services, support services, and building principals. These expenditures do not relate directly to the education of students. Instead, they encompass expenses relating to planning, research, information services, staff services, and data processing. See **human resources** for more information on staffing.

**Building Operations:** SWLLSD's building operation costs were nearly 4.7 percent per pupil below the peer average. These expenditures are comprised of salaries, benefits, and vendor contracts for the direction of the maintenance, transportation, and food service operations. Building Operations also includes facilities-related operations at the building and central office levels, as well as any purchasing for the enterprise funds, the largest of which is the lunchroom operation.

**Staff Support:** SWLLSD spent approximately 33.7 percent more per pupil than the peer average on staff support. Expenditures in this category are related to staff needs, such as professional development, training, and tuition reimbursement. See **human resources** for more information.

**Pupil Support:** SWLLSD's pupil support expenditures were approximately 15.5 percent per pupil below the peer average. These expenditures are related to student needs outside of the classroom, such as guidance counseling, help in the media center or library, college advising, field trips, and psychological testing. See **human resources** for more information.

**Instruction:** SWLLSD spent 1.5 percent more per pupil on instruction than the peer average. This function includes costs for teachers, teacher aides, and paraprofessionals, in addition to costs associated with instructional materials such as computers, books, and other supplies and materials that are used in the classroom setting. These expenditures are directly related to the education of students.

**Table 4-2** compares the District's historical expenditures on a per pupil basis.

**Table 4-2: Historical Expenditures Per Pupil**

	FY 2006-07	FY 2007-08	Percent Change	FY 2008-09	Percent Change
<b>Administrative</b>	\$1,118	\$1,254	12.1%	\$1,278	1.9%
<b>Building Operations</b>	\$1,602	\$1,751	9.3%	\$1,588	(9.3%)
<b>Staff Support</b>	\$228	\$264	15.6%	\$236	(10.7%)
<b>Pupil Support</b>	\$851	\$900	5.8%	\$881	(2.1%)
<b>Instruction</b>	\$4,399	\$4,792	8.9%	\$4,624	(3.5%)
<b>Total</b>	<b>\$8,198</b>	<b>\$8,961</b>	<b>9.3%</b>	<b>\$8,607</b>	<b>(4.0%)</b>

Source: ODE Expenditure Flow Model Reports

As shown in **Table 4-2**, the District decreased its overall spending in FY 2008-09 by 4 percent on a per pupil basis. Administrative expenditures increased 12.1 percent in FY 2007-08 and by 1.9 percent during FY 2008-09. Also during FY 2007-08, the District's total expenditures increased by 9.3 percent with the largest percentage increase, 15.6 percent, occurring in staff support. However, staff support is the smallest expenditure type, and during FY 2008-09, this expenditure decreased by 10.7 percent.

**Table 4-3** compares Southwest Licking LSD's revenue by source to the peer average for FY 2008-09 on a per pupil basis.

**Table 4-3: Per Pupil Revenue by Source Comparison**

Revenue Per Pupil	SWLLSD FY 2008-09	Percent of Total	Peer Avg. FY 2008-09	Percent of Total	Difference	Percent Difference
Local Revenue	\$4,752	57.3%	\$4,363	44.36%	\$389	8.9%
State Revenue	\$3,150	38.0%	\$4,153	51.01%	(\$1,003)	(24.2%)
Federal Revenue	\$384	4.6%	\$398	4.63%	(\$14)	(3.4%)
<b>Total Revenue</b>	<b>\$8,468</b>	<b>100.0%</b>	<b>\$8,168</b>	<b>100.0%</b>	<b>\$300</b>	<b>3.7%</b>

Source: Ohio Department of Education Revenue by Source Data

Note: Because districts often account for funds that are unrelated to the instruction of school-age students (e.g., special trust funds or adult education), not all money received by a school district is included in the revenue per-pupil calculation.

As shown in **Table 4-3**, the District receives a larger percentage of its total revenue from local sources than the peers. However, the District received 24.2 percent less State revenue than the peer average. Overall, SWLLSD received approximately 3.7 percent more revenue than the peers on a per pupil basis during FY 2008-09.

According to the District's five-year forecast dated May 27, 2010, a financial deficit of \$30.5 million is projected at the end of FY 2013-14. At the end of FY 2009-10, the District's unreserved fund balance was projected at \$4.5 million. (note: at the time of this audit the FY 2009-10 actual

expenditures were not available) The District's FY 2009-10 expenditures over revenues received were projected at a deficit of \$1.3 million. For FY 2010-11, the District's revenues are projected to decrease from \$32.7 million to \$30.1 million and its expenditures are expected to increase from \$33.9 million to \$34.8 million or approximately \$4.6 million more in expenditures than operating revenues.

#### **4.1 Develop and implement a strategic plan and performance measures that link to the budget and forecast and can be used to guide operations.**

**SWLLSD should develop a clearly written, multi-year strategic plan that provides vision and direction for its Board and employees. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP) and any other educational and operational plans. In developing the strategic plan, the Board should identify and formally adopt a limited number of District priorities to guide its strategies and major financial needs, capital needs, and program decisions.**

**The strategic plan should clearly delineate 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, SWLLSD should track and report its performance measures. It should also 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.**

The District does not have a formal strategic plan in place that works as a guide to help the District meet its goals and objectives, both academically and financially. A strategic plan was developed several years ago but is not used for planning or management decision-making. The District has a Comprehensive Continuous Improvement Plan (CCIP) that meets federal requirements and includes measurable goals. However, this does not take the place of a District-wide strategic plan because it does not address the complete spectrum of the District's educational and operational activities and programs.

SWLLSD also does not formally measure the cost or efficiency of its day-to-day business operations or set goals for efficiency or effectiveness. Most of the District's measures are based on academic achievement and reflect its mission to educate students. However, these measures do not address the personnel or capital infrastructure the District uses to support its mission

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.

North Union Local School District (Union County) and Westerville City School District (Franklin County) are examples of school districts that have successfully developed model strategic plans.

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:

1. Defining the desired performance measures based on the agency's mission, goals, and objectives;
2. 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;
3. Selecting key performance measures to be reported to Board members, the public, and other stakeholders.
4. Clearly defining each performance measure so that all users can easily understand it; and
5. Establishing performance targets.

According to OAC 3301-35-03(A), a strategic plan guides school districts and key stakeholders in the ongoing measurement of performance to assure adequate progress is being made toward strategic goals and objectives. Strategic planning identifies short-and long-range goals and the strategies necessary to achieve them. By maintaining a comprehensive strategic plan, SWLLSD can 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.

The District has an outdated strategic plan that has not been used since it was developed several years ago. A new plan that includes current goals for the District and links to the budget and forecast does not exist. The absence of a strategic plan inhibits the Board, administration, and community from effectively planning and meeting the goals of the District on a long-term basis. Implementing a strategic plan will enable the District to communicate its goals to its administration and community in a clear and effective manner, allocate its scarce resources more effectively and determine which of its programs are most efficient in achieving its goals.

#### **4.2 Adopt recommended budgeting practices.**

**SWLLSD should adopt recommended budgeting practices and formalize these in District policies and procedures. The District should ensure the policies and procedures meet industry standards as recommended by GFOA. The budgeting process should link to the District's financial forecast and its strategic plan in order to ensure resources are allocated in a manner consistent with long-term goals.**

The District follows ORC requirements for budgeting and forecasting expenditures. Internally, the Treasurer compiles the budget based on prior year revenues and expenditures. Each individual department (principals and department heads) receive a copy of the historical expenditures and initial budget. The department heads then modify the initial budget and submit a proposed budget. The Treasurer reviews the budget and makes modifications in an effort to balance the budget District-wide. Strategic or performance-based budgeting is not used. The Treasurer compares the school building budgets with the average cost per pupil. If a building has a higher cost per pupil, the Treasurer researches for an explanation, as sometimes the increased costs are due to a building needing significant repairs or an upgrade in computers. The Treasurer tries to ensure the same dollar amount is allocated per pupil for school-related supplies such as books and paper in order to balance the costs per school building. The District does not have a formal budgeting process that meets best practices and links to strategic planning.

According to *Recommended Budget Practices of the National Advisory Council on State and Local Budgeting* (GFOA, 1998), governments make program and service decisions and allocate scarce resources to programs and services through the budget process. As a result, the budget process is one of the most important activities undertaken by governments. The quality of decisions resulting from the budget process and the level of their acceptance depends on the budget process that is used. The NACSLB lists five key characteristics of the government budgeting process:

- Incorporates a long-term perspective;
- Establishes linkages to broad organizational goals;

- Focuses budget decisions on results and outcomes;
- Involves and promotes effective communication with stakeholders; and
- Provides incentives to government management and employees.

According to *Use of Financial Status in the Budget Process* (GFOA, 1999), a key component of the budget process is a consideration of the financial status of the government entity, which should include the current financial condition, the impact of the proposed or actual budget, and the future outlook and trends. The District has not updated budget practices due to attention to other priorities in the District.

By following recommended practices in budgeting, the District's decision-makers would be better able to make informed choices about the provision of services, the allocation of resources, and the use of capital assets. Implementing recommended budgeting practices also will strengthen internal stakeholders' understanding of financial decisions and assist SWLLSD in directing scarce resources to its most critical programs.

#### **4.3 Implement the 2006 Performance Audit recommendation to review and revise policies concerning fiscal management.**

**The SWLLSD Board of Education (the Board) should review, and when appropriate revise its policies concerning fiscal management. In the future, policies should be reviewed and evaluated periodically and formally updated whenever changes are made to existing policies or procedures.**

The 2006 Performance Audit recommended the District review and revise policies concerning fiscal management, where appropriate. The policies concerning purchasing and capital assets have been updated, but other policies have not been updated in several years, and some lack essential detail and are general statements rather than specific to District operations. Few have associated detailed procedures.

According to the Government Finance Officers Association (GFOA) *Best Practice in Public Budgeting*, fiscal policies, plans, programs, and strategies should be adjusted as needed. Changing conditions or programs and services that are not producing the desired results or efficiently using resources may require adjustments in order to continue to meet the needs of stakeholders and achieve the District's goals. While many of the District's fiscal management policies are still relevant and effective, conditions have changed since they were last updated. Updated policies and procedures will help familiarize any new fiscal personnel and newly elected Board members with the standards and expectations of the District in the area of financial management.

The District could be unprepared to perform the work of the Treasurer in case of his absence. Clearly written policies and procedures could help the District or staff in carrying out the duties

of the Treasurer.

#### **4.4 Implement the 2006 Performance Audit recommendation to revise District policies to require the Treasurer to maintain alternative scenarios for the five-year forecast.**

**SWLLSD should revise its fiscal planning policies to require the Treasurer to maintain alternative scenarios in conjunction with the five-year forecast. This will help the District account for uncertainties in economic conditions, State funding, enrollment, and unforeseen expenditures. The policy should also address key forecast factors, including parties responsible for information, periods covered, support for assumptions, presentations, and outside consultation.**

In the 2006 Performance Audit, a recommendation was made to review and revise policies concerning establishing alternative scenarios for the five-year forecast. This recommendation was not implemented. The Treasurer performs alternative scenarios based on specific request by the Board. In general, though, SWLLSD has a financial management policy which ensures the Board is well-informed regarding the District's current and projected financial situation.

GFOA recommends that entities develop projections (five-year forecasts) under alternative scenarios. Projections should be available before and during the budgetary decision process. Preparing projections using different assumptions, particularly in the development of a financial plan (forecast), permits decision-makers to consider the level and mix of taxes and other revenue needed to be able to provide various levels of service, or levels of service to be reduced due to the lack of sufficient revenue. According to GFOA's *Building a Financially Resilient Government Through Long-Term Financial Planning* (2009), governments should be ready to change when plans aren't working. Resilient governments are skilled at setting and managing to measurable goals. Communication of these goals (including deviations from planned performance) is essential for credibility and encouraging fact-based, data-driven financial decision-making. GFOA recommends that governments do the following:

- Regularly diagnose the strategic environment to know when flexibility may be required;
- Create financial models to show the impact of changes; and,
- Evolve and adapt the financial planning process itself.

Financially resilient governments are constantly monitoring their environments and financial conditions to see if financial strategies are working and to learn of conditions that might call for changes in approach. Regular plan updates are a formal tool to use, but these governments have also developed the institutional habit of taking time to look beyond the day-to-day business for issues that could affect financial health. These "strategic diagnosis" exercises are important for strengthening this critical capacity. Resilient governments have financial modeling and scenario analysis capabilities to determine the impact of changes in assumptions and financial strategies. The Treasurer provides scenarios only upon direct request of the District's Board. Treasurers are

often more knowledgeable about school finances and how outside forces, such as new State laws or new housing developments in the area may impact future expenditures and revenues for a school district. Therefore, the Treasurer should take steps to provide the school Board with forecast scenarios without only relying on direct requests from the Board.

Although SWLLSD's fiscal planning policies provide decision-makers with relevant information, revising the policy to include alternative five-year forecasts under different assumptions or scenarios will allow the Board to evaluate best and worst cases. It will also help provide an additional understanding of revenue and expenditure changes from year to year, which should enhance the accuracy of assumptions used in future forecasts.

#### **4.5 Revise purchasing policies and include clear procedures.**

**SWLLSD should revise its policies to include procedures for the purchasing of goods and services. These procedures should clearly delineate approval paths, purchasing authority, and statutory requirements. Purchasing policies should include requirements for documenting price comparisons from multiple sources.**

The District has policies regarding purchasing. However, there is more than one policy which can be contradicting for those purchasing supplies and materials for the District. The District has a policy that discusses cooperative purchasing and a separate policy that suggests purchasing from local vendors which may be confusing to those who make purchases for the District. The District does not have a procedure for purchasing goods and services. The District's vendor and cooperative purchase policies do not provide clear guidance to District employees when making decisions on purchases that may provide a savings for the District.

The District could adopt procedures similar to those in place at Pickerington Local School District's (PLSD). PLSD requires that each person making a purchase request investigate price and quality among several vendors, including the consortium. Any purchase order for supplies or equipment exceeding \$2,500 must be accompanied by a Purchase Quotation form reflecting price quotes. Favoritism is not shown to any vendor. If the District develops and adopts a more descriptive purchasing policy, the District will be able to help ensure that that best possible price is achieved for goods and services.

## Facilities Background

This section focuses on the maintenance and operation (M&O) of facilities in the SWLLSD, including assessments of staffing levels, planning efforts, expenditures, policies, and operating procedures. The District's operations were evaluated against leading practices, operational standards, and selected peer districts. Leading practices and operational standards were derived from the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), the International Sanitary Supply Association (ISSA), the Minnesota Office of the Legislative Auditor, and DeJong and Associates, Inc.

As discussed in the **executive summary**, a previous performance audit of SWLLSD was released in 2006. SWLLSD failed to fully implement any of the five recommendations included in the **facilities** section of the 2006 performance audit. Four of the recommendations are being re-issued in this performance audit, as they are related closely to the outcome of audit objectives. One recommendation issued in 2006 was not within the scope of the current audit objectives.

### *Facilities Composition*

In FY 2009-10, SWLLSD operated six school buildings: one high school, one middle school, three elementary school buildings, and a kindergarten center. This facility also houses the District's administrative offices. The District also owns approximately 176 acres of undeveloped property and intends to build a high school on the site. This property is leased to third parties for agricultural use until the District begins construction of the proposed high school facility.

### *Staffing*

The SWLLSD maintenance operation is comprised of one full-time maintenance foreman who reports to the Superintendent. The maintenance foreman serves as the maintenance coordinator and HVAC (heating, ventilation, and air conditioning) coordinator. The maintenance foreman supervises 2 FTE HVAC employees. All three maintain all the buildings in the District, as well as the bus garage and the smaller assorted storage buildings. The HVAC employees provide maintenance on HVAC, plumbing, and electrical equipment. The District also has 1 FTE grounds maintenance employee who takes care of the high school and middle school complexes, all athletic fields, snow removal, and grass cutting, along with repair of all District mowing and snow removal equipment.

Custodial staff consists of 3 FTEs at each elementary school, 4.5 FTEs at the middle school, 5 FTEs (6 total employees) at the high school, and 1.5 FTEs at the kindergarten center and District office. The bus garage also has one custodian who is employed for two hours per day. **Table 4-4** shows SWLLSD's M&O Department staffing and workload comparisons.

**Table 4-4: SWLLSD Maintenance and Operations Staff Comparison**

<b>District Staffing</b>	
Total FTE Maintenance Staffing	4.00
Total FTE Custodian Staffing	20.25
<b>Total FY 2009-10 Maintenance &amp; Custodial FTE Staffing</b>	<b>24.25</b>
<b>District Statistics</b>	
Square Footage Maintained	410,083
Acreage Maintained	119.0
Square Footage Cleaned	410,083
<b>Maintenance &amp; Groundskeeping Staffing Benchmark</b>	
AS&U Five-Year Average Square Feet per FTE Maintenance	95,000
<b>Calculated FTE Maintenance Need</b>	<b>4.32</b>
AS&U Five-Year Average Acres per FTE Groundskeeper	40.0
<b>Calculated FTE Groundskeeping Need</b>	<b>2.98</b>
<b>Total Maintenance &amp; Groundskeeping Staffing Need</b>	<b>7.29</b>
<b>Custodian Staffing Benchmark</b>	
NCES Level 3 Cleaning Median Square Footage per FTE <sup>1</sup>	29,500
<b>Calculated FTE Custodian Need</b>	<b>13.90</b>
<b>Total FY 2009-10 Maintenance &amp; Custodial FTE Staffing</b>	<b>24.25</b>
<b>Total Calculated M&amp;O Department Staffing Need</b>	<b>21.19</b>
<b>Difference</b>	<b>(3.06)</b>

**Source:** District interviews and documentation, NCES, AS&U, and square footage as reported by SWLLSD through EMIS.

<sup>1</sup>According to the NCES *Planning Guide for Maintaining School Facilities*, 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. Therefore, a benchmark of 29,500 square feet per FTE custodian was applied in the analysis. This benchmark is acceptable to most stakeholders and does not pose any health issues.

As shown in **Table 4-4**, the District appears to have an overall staffing level that is above the recommended staffing levels to provide maintenance and operations in the District based on square footage and the number of acres. However, the District is below the recommended staff level by approximately 2 FTEs for grounds maintenance. Per a review of the job duties of the grounds maintenance employee, additional duties are performed and, therefore, the ability to maintain the grounds does not appear to be problematic. The District reports its square footage annually through the EMIS system. In FY 2005-06, the square footage reported was 442,273 square feet, but in FY 2008-09 (the most recent available ODE report), it was 410,083. The Ohio School Facilities Commission measures a different square footage amount; therefore, there are inconsistencies in reporting accurate square footage within the District. For audit consistency, the ODE square footage report is used for analysis and the District should work toward more consistent reporting.

**4.7 Enhance the facilities master plan to include alternatives to constructing new classroom space and various means to fund each alternative.**

**SWLLSD should develop and implement a more comprehensive facilities master plan that provides alternatives the District can consider in the event it is unable to renovate and/or build newer facilities. The plan could include options for re-evaluating capacity utilization based on functionality and options for using modular units if space needs to be temporarily created. Additionally, the plan should include the consideration of funding alternatives for renovating or expanding SWLLSD's buildings.**

According to the capacity analysis conducted by auditors, the District's overall capacity utilization is 86.1 percent, which is in line with the optimal utilization benchmark of 85 percent. Of its six school buildings, however, four are above optimal capacity. The kindergarten center has a utilization rate of 87.3 percent and Etna Elementary has a rate of 91.3 percent. Watkins Middle School and Watkins Memorial High School have higher utilization rates of 92.5 and 97.5 percent, respectively. However, Pataskala and Kirksville elementaries are below the optimal utilization rate at 75.4 and 71.6 percent, respectively. The location of these schools causes the lower utilization, and the District monitors its utilization rates in these schools. The 2006 performance audit recognized that the school buildings had an overall utilization rate that was above the optimal level. In more recent years, the District has made changes in its buildings to accommodate more school children, such as using the kindergarten center's gym for classrooms and library space, adding partitions in larger rooms in schools where space is available, and building classrooms in hallways of the high school building.

The District's master facilities plan is not comprehensive, as it does not provide alternatives for what the District could do to accommodate an increase in its student population. The District master plan anticipates building a new high school facility and renovating the remaining schools. As of the date of reporting, the District has been unable to obtain the funding needed to finance its master plan. According to the District's projected enrollment, the utilization rate will increase further. If the District's actual enrollment meets projected enrollment, the capacity utilization rate will be 91.0 percent in FY 2010-11, and 98.4 percent by FY 2013-14.

According to DeJong's *How to Develop a Successful Master Plan* (2001), the plan should clearly state what buildings should be kept, discontinued, renovated, and built. The plan should be developed on a foundations of sound data and community input. It should be a road map for addressing facility needs. The desired educational program should be the driving force. The plan should not be based only on facility conditions and demographics. Facility options should be developed. These options represent future scenarios for the district regarding buildings and include capital improvements, renovations, and construction. Options should also include funding mechanisms, cost estimates, and tax implications. In other words, the District should allow its master plan to detail options it would take to increase or decrease capacity if it is unable to build or if capacity is no longer needed based on varying scenarios such as whether or not modulars

could be used or what other alternatives for funding are available.

The District has not developed plans and procedures beyond the facilities master plan to address other options for capacity such as the use of modulars and alternatives for funding. Exceeding the industry benchmarks for utilization of a building can affect the educational program by making scheduling more difficult and increasing class sizes. In addition, all staff will have difficulty in properly using and maintaining the facility. This can lead to accelerated wear-and-tear of the building.

#### **4.8 Eliminate 3.0 custodial FTEs positions to bring staffing in line with industry benchmarks.**

**SWLLSD should consider eliminating at least 3.0 custodial staff positions in order to reduce costs and bring staffing in line with industry benchmarks. The District could consider cross-training to aid the maintenance and groundskeeping functions in order to properly maintain the school's maintenance and operations.**

As shown in **Table 4-4**, the District's current M&O staffing level exceeds the industry benchmark staffing levels needed to clean and maintain the District's facilities. Based on industry benchmarks, the District needs approximately 14.0 custodial FTEs and the District employs 20.2 FTEs. As a result, the District employs approximately 6.0 more custodial FTEs than necessary by industry standards. The 2006 performance audit recommended an elimination of 3.0 FTE custodians and converting one custodian to maintenance due to overstaffing. AOS used the same benchmark standards in the 2006 performance audit as it did in this audit. Therefore, the District is not using workload standards to ensure it maintains a proper amount of custodians.

*Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) recommends a workload measure of 28,000 to 31,000 square feet per FTE custodian as the norm for most school facilities, resulting in an average benchmark of 29,500 square feet per FTE. This workload is related to a Level 3 cleanliness standard, which is acceptable to most stakeholders and does not pose any health issues.

The District's staffing variances affect the cost and efficiency of staffing in the M&O Department. Using a lower workload ratio than the industry standard suggests leads the District to spend more in salaries and benefits. In contrast, employing fewer maintenance technicians than the benchmark can lead to less time spent on planning and preventive maintenance activities, eventually leading to costly repairs. By aligning staffing with national benchmarks, the District will maintain proper staffing levels and become more operationally efficient within each building, reducing its immediate and long-term facilities costs. Although the District's comparison shows 6.0 FTEs above the benchmark for custodians, its overall staffing level for maintenance & operations is 3.0 FTEs above. Due to the age and condition of the buildings, reducing all 6.0 FTEs may cause a decline in the maintenance and upkeep of the buildings, as the additional

custodians can assist other maintenance and groundskeeping staff. In the event the District needs to reduce more costs, the District could eliminate more custodial staff positions to meet the suggested staffing level for the custodial positions.

*Financial Implication:* If the District eliminates 3.0 FTE custodial positions, it could meet the benchmark efficiency for staff performance and save approximately \$115,000 in salaries and benefits.

#### **4.9 Develop and implement a formal maintenance and custodial manual containing appropriate procedures for use by maintenance and operations employees.**

**The District should develop a formal preventive maintenance (PM) program for its aging facilities. Regular PM ensures equipment reliability, reduces operating costs, and increases the life expectancy of facilities and equipment. The District should also develop a custodial/maintenance manual, which should contain specific instructions on the performance of routine and non-routine tasks and provide directions for operating any facilities equipment. The District should review the manual annually and update the procedures as necessary.**

The 2006 performance audit recommended that the District develop a preventive maintenance (PM) program. The District still does not have a PM program, nor does it have a custodial/maintenance handbook that governs day-to-day operations. A PM program is important, considering the average age of SWLLSD's school buildings is 62 years. The only facility maintenance planning is performed during the District's budget process on a yearly basis. Mostly, the District relies on its experienced staff to handle any emergency maintenance issues as they occur during the course of the year.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible (perhaps through the District's intranet or internet sites). NCES recommends that at a minimum, the manual contain departmental:

- Mission statement;
- Personnel policies;
- Purchasing regulations;
- Accountability measures;
- Asbestos procedures;
- Repair standards;
- Vehicle use guidelines;
- Security standards; and

- Work order procedures.

The International Sanitary Supply Association (ISSA) has developed a custodial training program manual designed to help train and guide custodians. The publication details the correct cleaning methods as well as the proper use of custodial equipment and offers guidelines and tips on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Without formal policies and procedures to guide custodial and maintenance operations, procedures and standards may not be consistently followed. SWLLSD has relied on on-the-job training to convey standards and processes, which limits its efficiency.

Developing and incorporating policy and procedure manuals and standards for all custodial staff will help ensure that issues are managed in a consistent manner. Once the District has developed and implemented a manual, it should make this information available to interested parties through its web site and disseminate the information internally through links to the web site. Development of a policy and procedure manual could be implemented at no additional cost to the District. Implementing this recommendation would also help SWLLSD achieve a higher level of efficiency in its custodial operations while maintaining a sufficient level of cleanliness. In consideration of the recommended staffing reduction, the District will benefit by establishing performance and efficiency standards to help maintain the buildings and still meet benchmark staffing levels.

#### **4.10 Develop and implement an energy consumption and conservation policy and plan.**

**SWLLSD should develop a complete energy consumption and conservation policy and plan that meets leading industry practices. The District's energy use specifically, electricity and water and sewerage – is high, and it could take steps to reduce its consumption through**

**written planning and procedures for the District staff and students to follow.**

The District has taken steps to conserve energy and has hired an outside contractor to help it monitoring energy consumption. For instance, the District changed its lighting to energy efficient light bulbs in all buildings and added motion sensors that automatically turn off lighting in the District's newer classrooms and gyms. The heating and air conditioning temperatures are controlled centrally and are set on timers to adjust building temperatures based on use.

However, SWLLSD was not able to provide support for the effectiveness of its energy management practices. Most importantly, the maintenance and operations cost analysis show that the District's utility costs are higher than industry averages and the peer average costs. Analyses conducted by auditors revealed that the District's electricity cost is \$1.09 per square foot and water and sewerage is \$0.10. The peer average electricity cost is \$0.29 and water and sewerage cost is \$0.04 per square foot. SWLLSD does not have written energy management policies or procedures to convey to staff its energy conservation expectations.

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

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the District's energy management program, and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment, including power-factor correction units, electronic ballast, high-efficiency lamps, right setbacks, and variable-speed drives for large motors and pumps; and
- Install motion detectors that turn lights on when a room is occupied (and off when the room is unoccupied).

*School Operations and Maintenance: Best Practices for Controlling Energy Costs* (United States Department of Energy (DOE), 2004) indicates that there are different types of energy conservation programs. Energy Tracking and Accounting programs are comprehensive and require the collection, recording, and tracking of monthly energy costs in all school district facilities. The data allows staff to compare energy performance in all buildings and identify problems at individual facilities. On the other hand, Voluntary Energy Awareness programs operate on the premise that increasing the general energy awareness of faculty, staff, and students

will result in voluntary changes in behavior and reductions in energy consumption. An example of this approach is affixing “Turn the Lights Off” stickers to lighting switch plates. Finally, Quick Fix and Low Cost programs rely on the identification and repair of simple building problems that are moderate in cost and likely have short energy savings payback. Such programs may include replacing weather stripping on doors and windows, instituting night and weekend temperature setbacks, and establishing district-wide shut down procedures.

In addition, DOE notes that the single most important energy cost management tool is a well-conceived district-wide energy policy. The policy should include clearly defined energy conservation objectives as well as operational standards. The policy should include a mission statement for the energy conservation program and should outline the elements of the program. Finally, the policy should establish broad threshold criteria for energy efficiency expenditures relative to the payback timeframe. DOE notes that including this type of guidance within the policy will help to focus resources toward cost-effective improvements.

Effective energy management practices have been identified in several Ohio school districts, including Lakota Local School District in Butler County and Mansfield City School District in Richland County. Mansfield City School District implemented an aggressive energy conservation program. It developed energy conservation policies, which were distributed to all employees. All employees were required to participate in the program. Administrators and support personnel (particularly custodians) were invested in the process and enlisted to help ensure its success. The policy not only contained recommended practices outlined in NCES and DOE publications, but included several other leading practices as well. Some of the stipulations of the policy that exceed recommended practices included the following:

- Controlling temperatures within the range of 74-78 degrees during summer and 68-72 degrees during winter;
- Turning off the lights when areas are unoccupied, including the gym, auditorium, and cafeteria;
- Turning off exterior lights during the day;
- Eliminating personal electric devices (space heaters, microwaves, hot plates, personal refrigerators, etc). from all buildings;
- Turning off all computers, monitors, printers, etc. when not in use; and
- Closing blinds and doors to conserve heat.

The steps outlined in the policy serve to save energy dollars while eliminating energy waste in the district's buildings. The policy also educates students and staff to contribute to energy efficiency in the District.

By implementing a District-wide energy policy that incorporates the best practices described above, SWLLSD could reduce its utility costs, and the savings could be used in the classroom. If the District could reduce costs by \$0.05 per square foot, it would save \$20,500. If it could achieve

a savings of \$0.15 per square foot, the savings would be \$65,500.

*Financial Implication:* SWLLSD could save at least \$20,500 annually by implementing a formal energy conservation program.

## Appendix A: Salaries and Wages

SWLLSD's starting wages and step increases for six selected positions were compared to the regional peer average. This was completed using negotiated salary schedules from FY 2009-10 employee bargaining agreements for SWLLSD and the regional peer districts. The following positions were included in the comparison:

- Teachers (Bachelor's Degree and Master's Degree)
- Custodian;
- Food Service/Cook;
- Secretary; and
- Bus Driver.

The forthcoming tables and charts represent the results of the salary comparisons within each of the comparisons. Certified compensation is represented by annual salary while classified compensation is represented by hourly rates. Both categories show salary from step 0 through step 30 of the salary schedules.

**Table A-1: Teacher (BA) Salary Comparison**

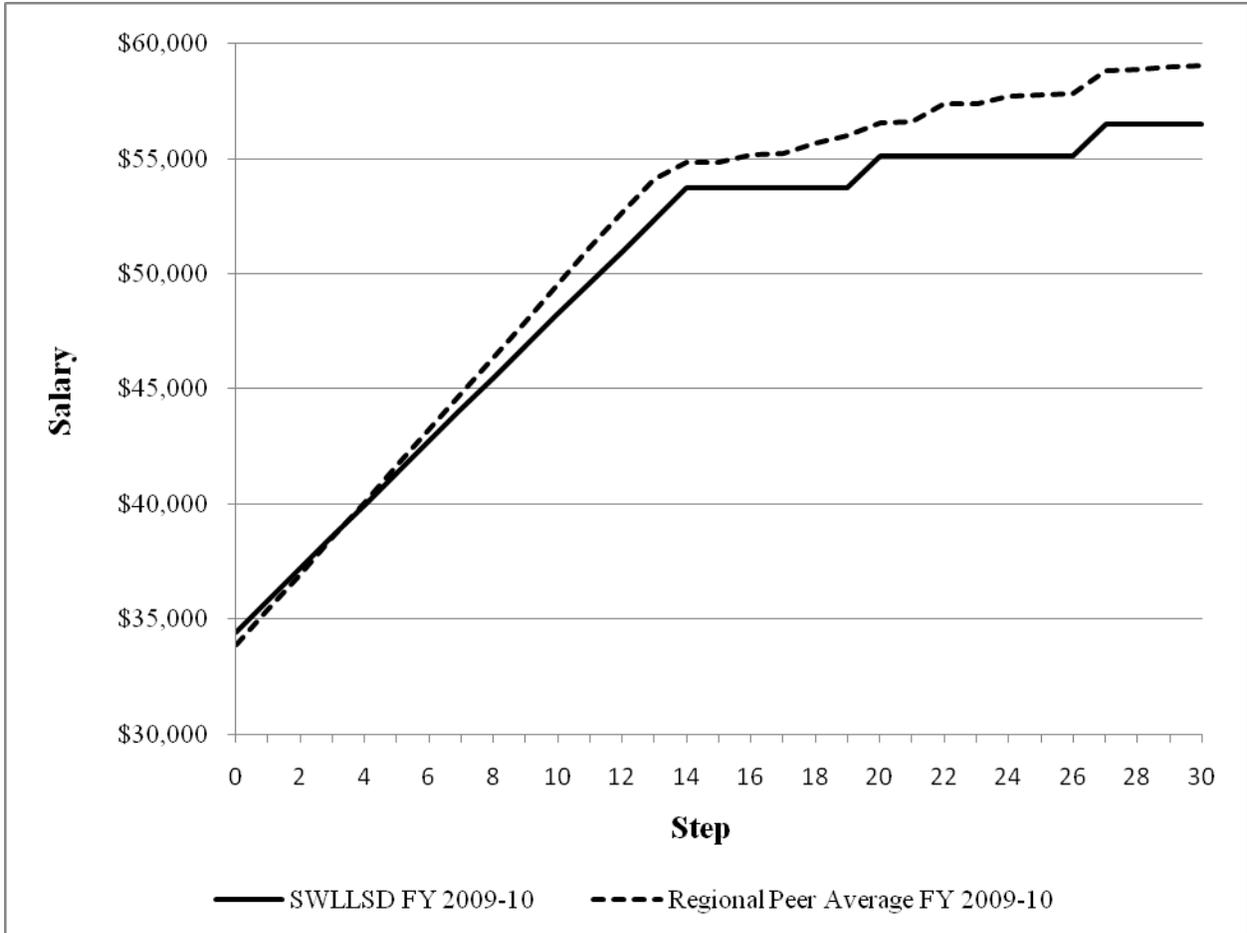
	SWLLSD	Regional Peer Average	Difference
Base Rate	\$34,455	\$33,878	\$577
Ending Rate	\$56,506	\$59,046	(\$2,540)
Average Dollar Step Increase	\$735	\$839	(\$104)
Average Percent Step Increase	1.7%	1.9%	(0.2%)
Total Percent Salary Increase	64.0%	74.5%	(10.5%)
Total Salary Schedule Cost	\$1,542,206	\$1,585,110	(\$42,904)

**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

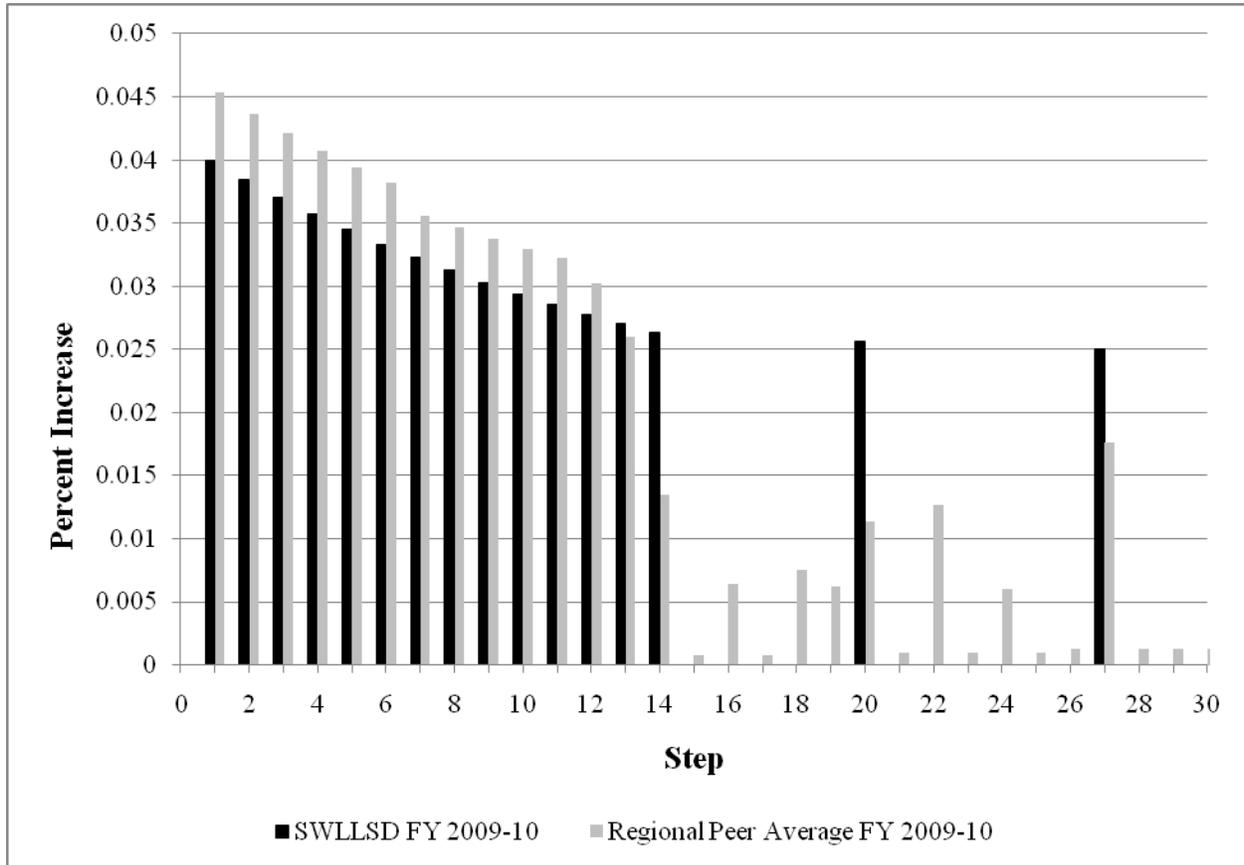
**Note:** Differences may be off due to rounding

**Chart A-1: Teacher (BA) Salary Schedule**

Source: SWLLSD and regional peer district FY 2009-10 salary schedules



**Chart A-2: Teacher (BA) Step Increases**



Source: SWLLSD and regional peer district FY 2009-10 salary schedules

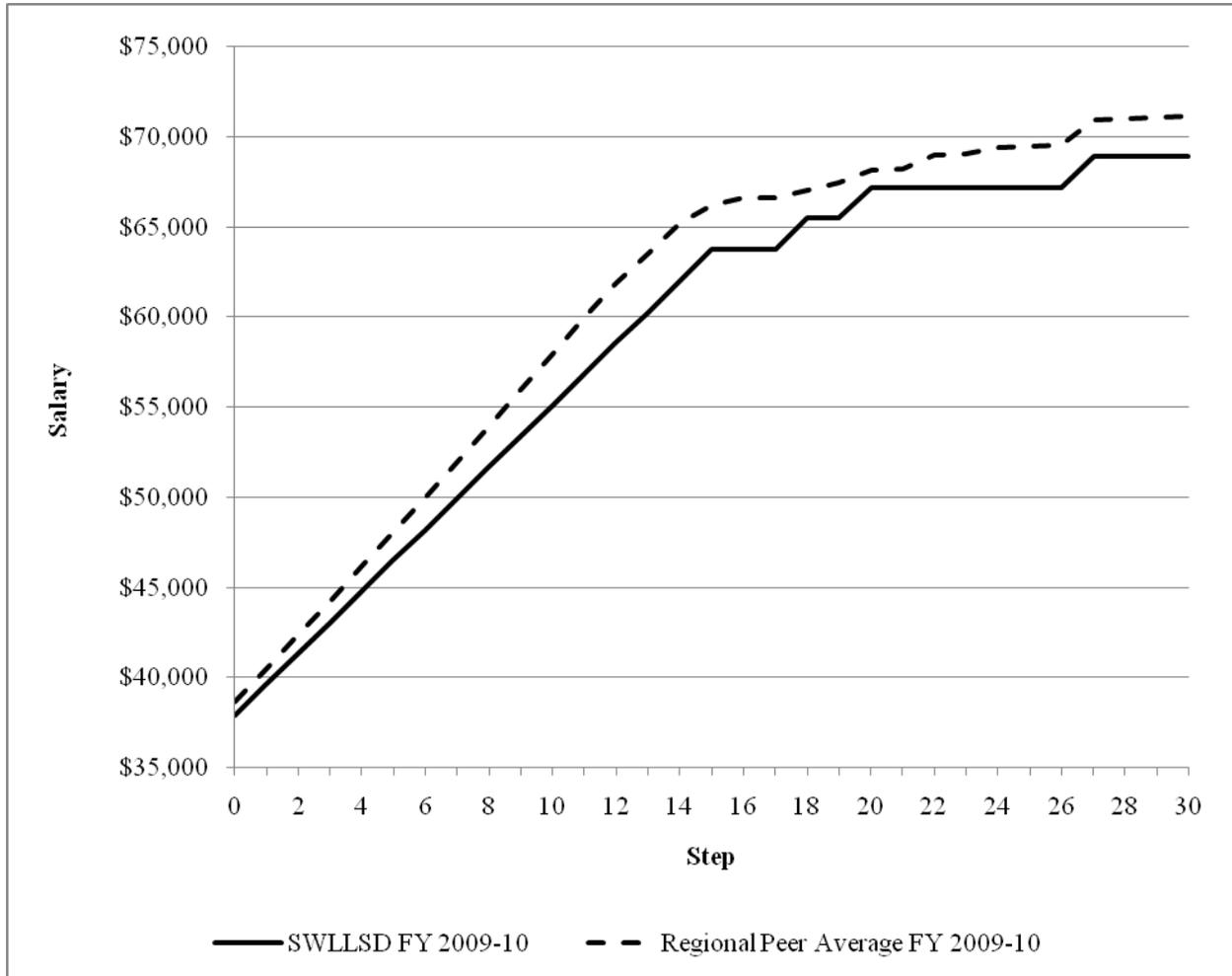
**Table A-2: Teacher (MA) Salary Schedule**

	SWLLSD	Regional Peer Average	Difference
Base Rate	\$37,901	\$38,644	(\$743)
Ending Rate	\$68,910	\$71,154	(\$2,244)
Average Dollar Step Increase	\$1,033.63	\$1,083.67	(\$50)
Average Percent Step Increase	2.0%	2.1%	(0.0%)
Total Percent Salary Increase	81.8%	84.4%	(2.5%)
Total Salary Schedule Cost	\$1,817,503	\$1,881,527	(\$64,024)

Source: SWLLSD and regional peer district FY 2009-10 salary schedules

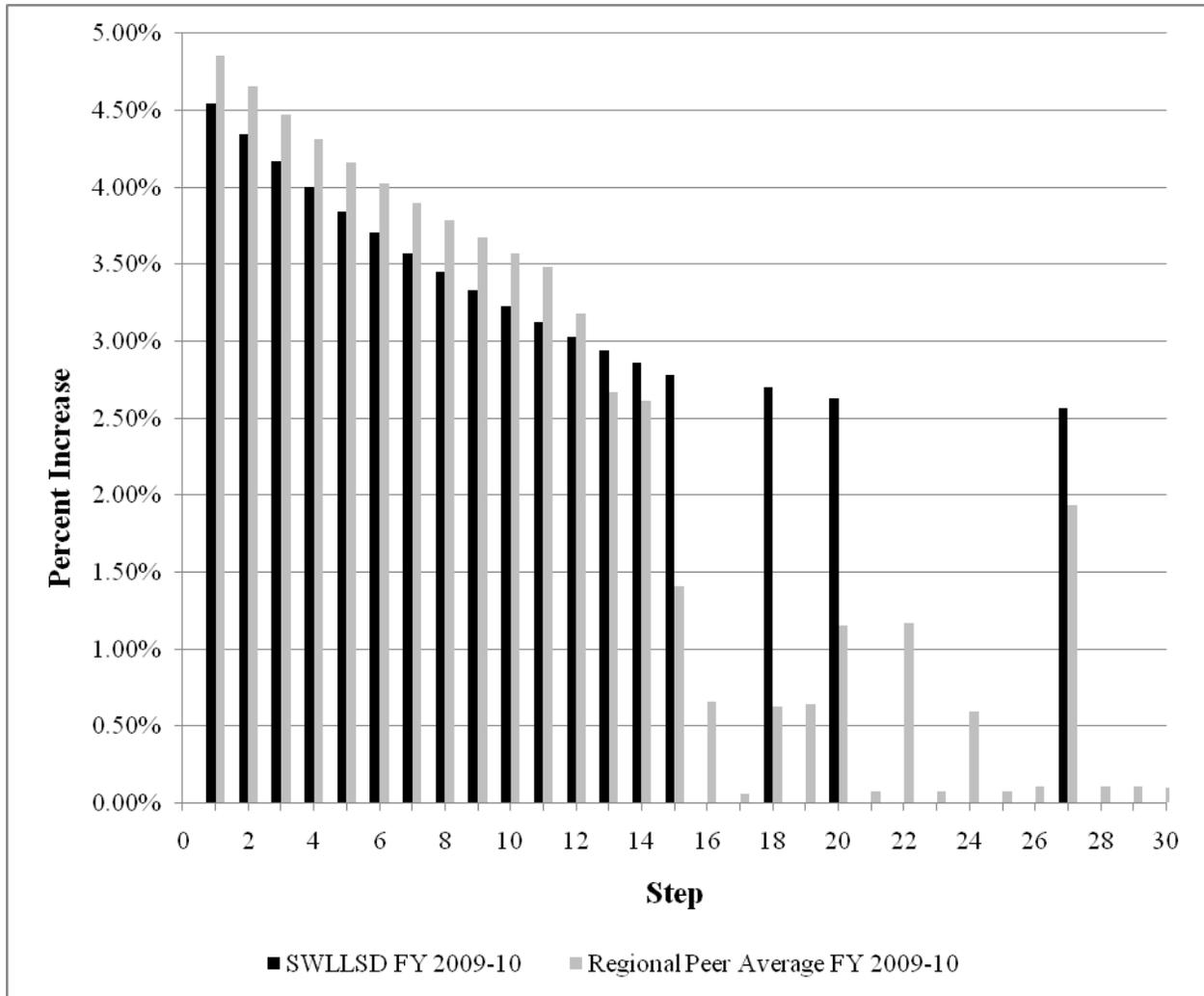
Note: Differences may be off due to rounding

**Chart A-3: Teacher (MA) Salary Schedule**



**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Chart A-4: Teacher (MA) Percent Increases**



Source: SWLLSD and regional peer district FY 2009-10 salary schedules

**Table A-3: Custodian Salary Schedule**

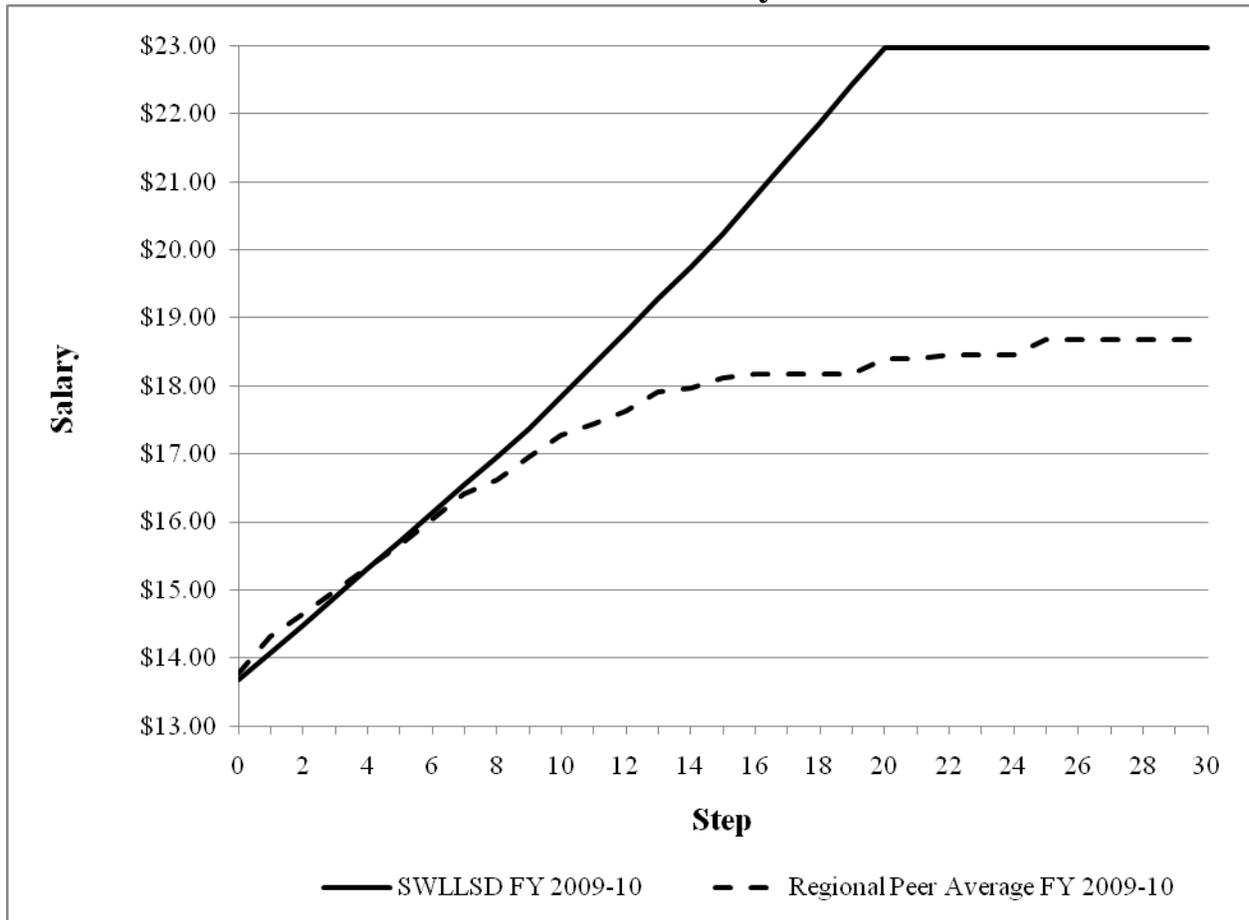
	SWLLSD	Regional Peer Average	Difference
Base Rate	\$13.67	\$13.77	(\$0.10)
Ending Rate	\$22.97	\$18.68	\$4.29
Average Dollar Step Increase	\$0.31	\$0.16	\$0.15
Average Percent Step Increase	1.8%	1.0%	0.7%
Total Percent Salary Increase	68.0%	36.4%	31.6%
Total Salary Schedule Cost	\$905,344	\$799,234	\$106,110

Source: SWLLSD and regional peer district FY 2009-10 salary schedules

Note 1: Differences may be off due to rounding

Note 2: The regional peer average does not include Granville EVSD because this district contracts for custodial services through a third part and therefore does not employ custodians

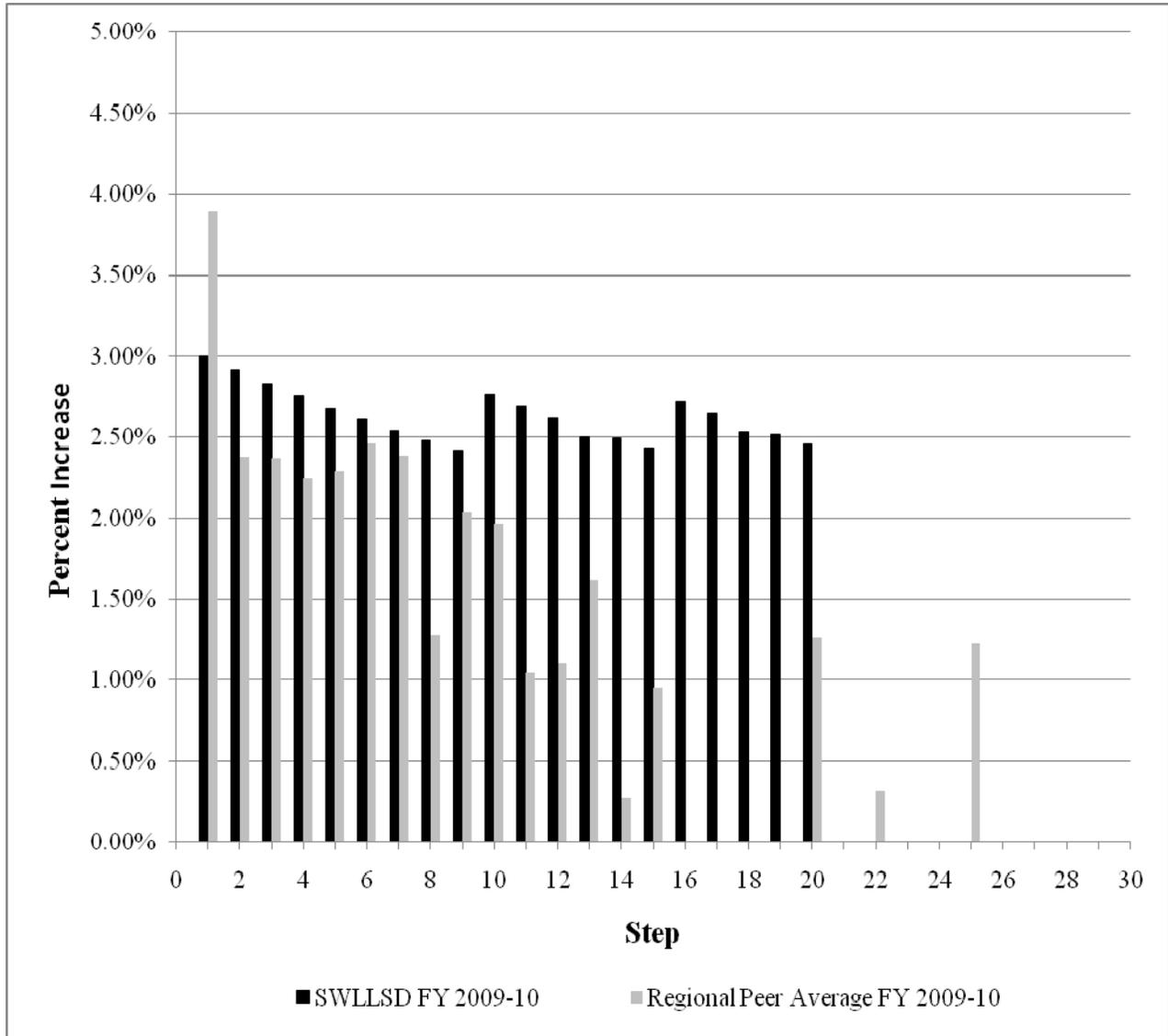
**Chart A-5: Custodian Salary Schedule**



Source: SWLLSD and regional peer district FY 2009-10 salary schedules

Note: The regional peer average does not include Granville EVSD because this district contracts for custodial services through a third part and therefore does not employ custodians

**Chart A-6: Custodian Percent Increases**



**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Note:** The regional peer average does not include Granville EVSD because this district contracts for custodial services through a third part and therefore does not employ custodians

**Table A-4: Cook Salary Schedule**

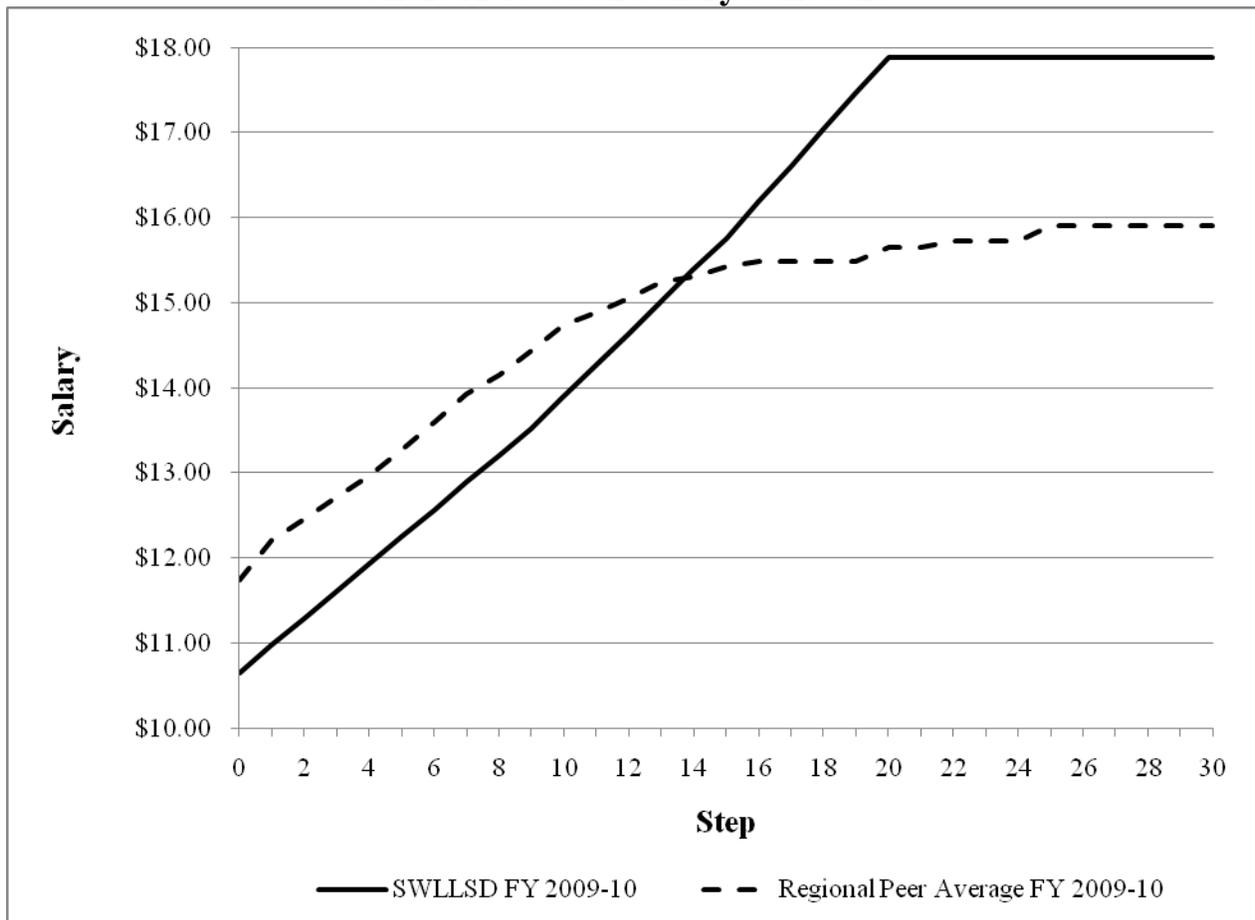
	SWLLSD	Regional Peer Average	Difference
Base Rate	\$10.65	\$11.74	(\$1.09)
Ending Rate	\$17.89	\$15.90	\$1.99
Average Dollar Step Increase	\$0.24	\$0.14	\$0.10
Average Percent Step Increase	1.8%	1.0%	0.7%
Total Percent Salary Increase	68.0%	35.9%	32.1%
Total Salary Schedule Cost	\$705,282	\$680,069	\$25,213

**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Note 1:** Differences may be off due to rounding

**Note 2:** The regional peer average does not include Granville EVSD because this district contracts for food service through a third part and therefore does not employ cooks.

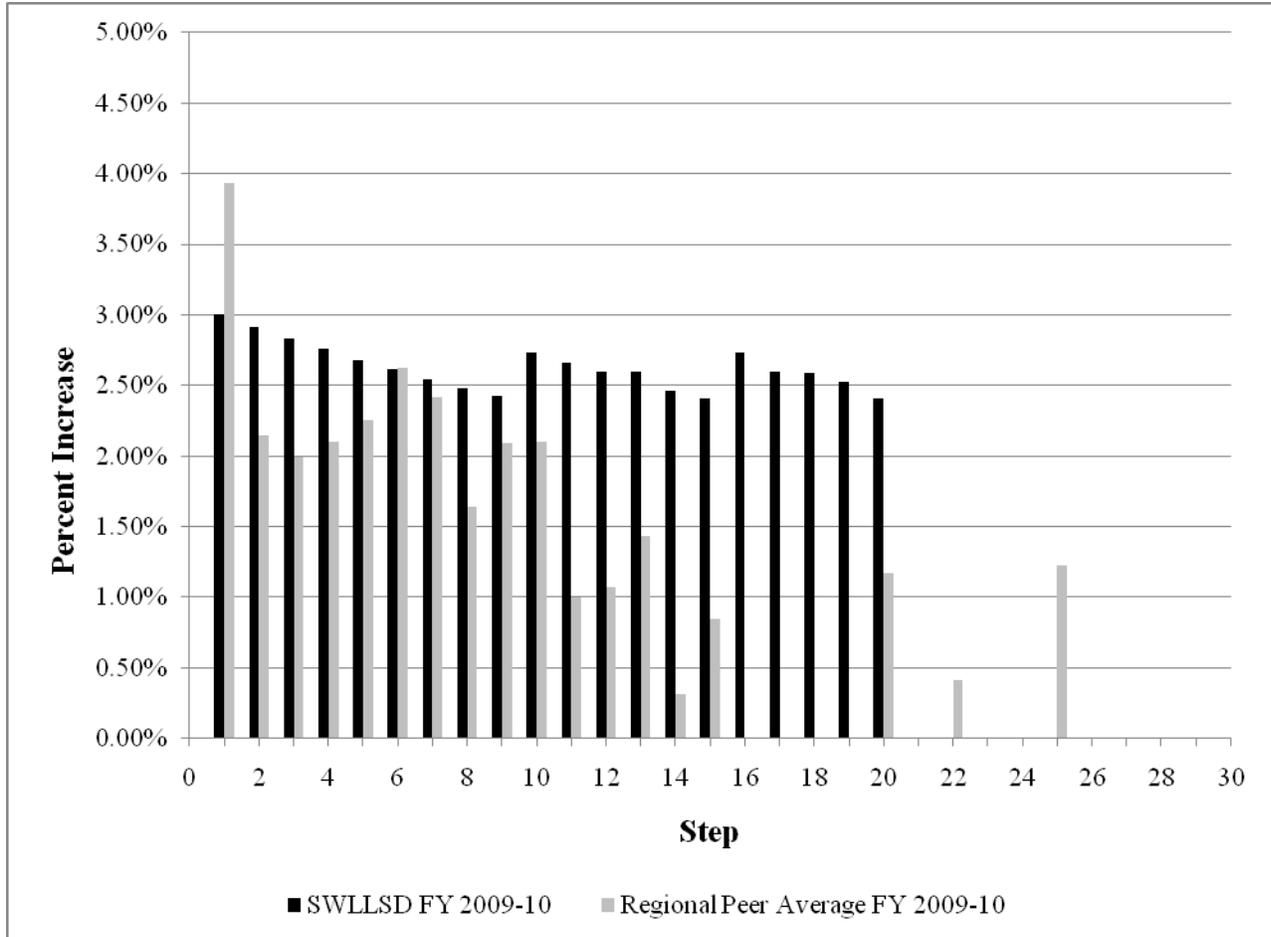
**Chart A-7: Cook Salary Schedule**



**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Note:** The regional peer average does not include Granville EVSD because this district contracts for food service through a third part and therefore does not employ cooks

**Chart A-8: Cook Percent Increases**



**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Note:** The regional peer average does not include Granville EVSD because this district contracts for food service through a third part and therefore does not employ cooks

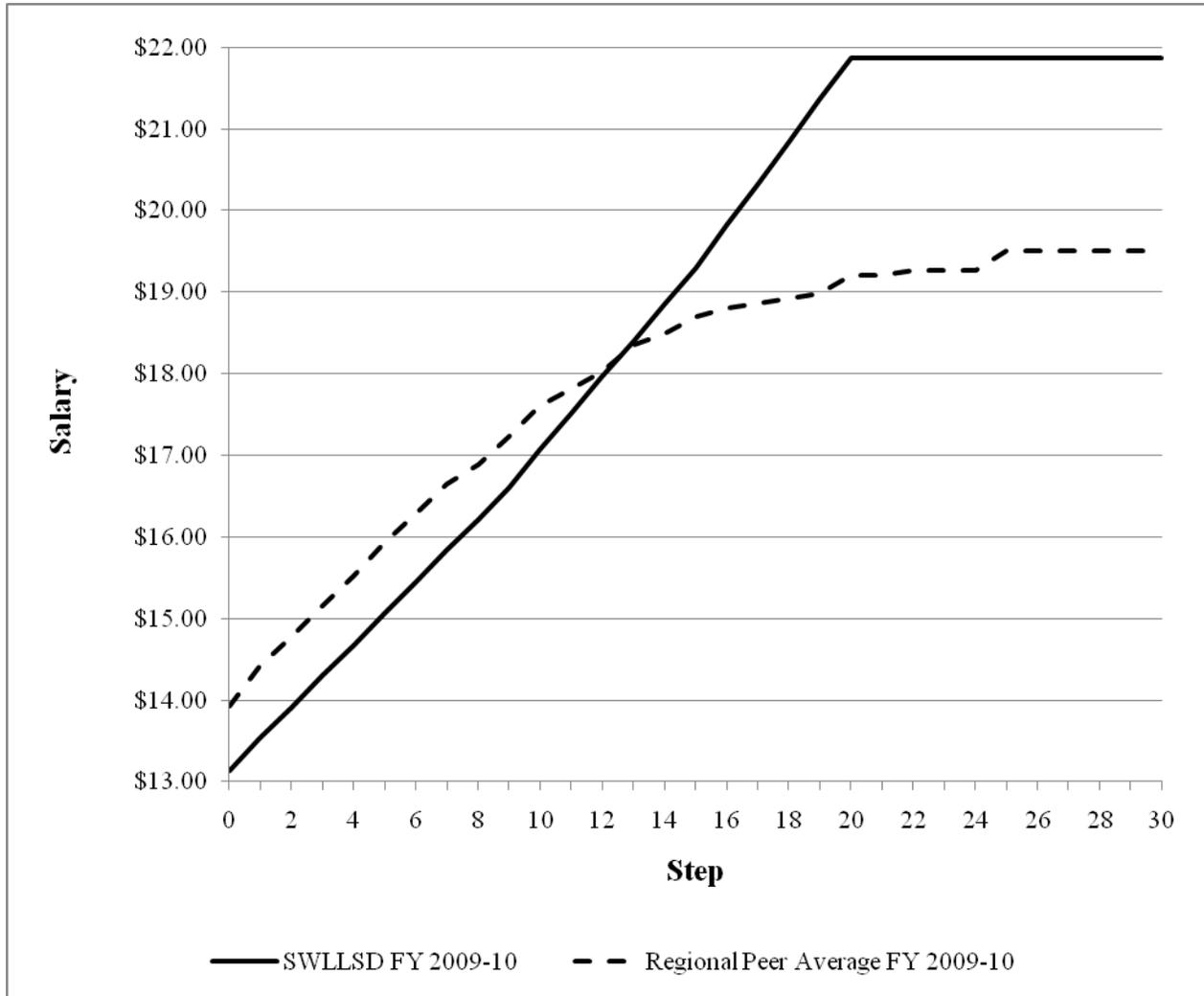
**Table A-5: Secretary Salary Schedule**

	SWLLSD	Regional Peer Average	Difference
Base Rate	\$13.14	\$13.92	(\$0.78)
Ending Rate	\$21.87	\$19.50	\$2.37
Average Dollar Step Increase	\$0.29	\$0.18	\$0.11
Average Percent Step Increase	1.7%	1.1%	0.6%
Total Percent Salary Increase	66.4%	41.1%	25.3%
Total Salary Schedule Cost	\$864,156	\$824,140	\$40,016

**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

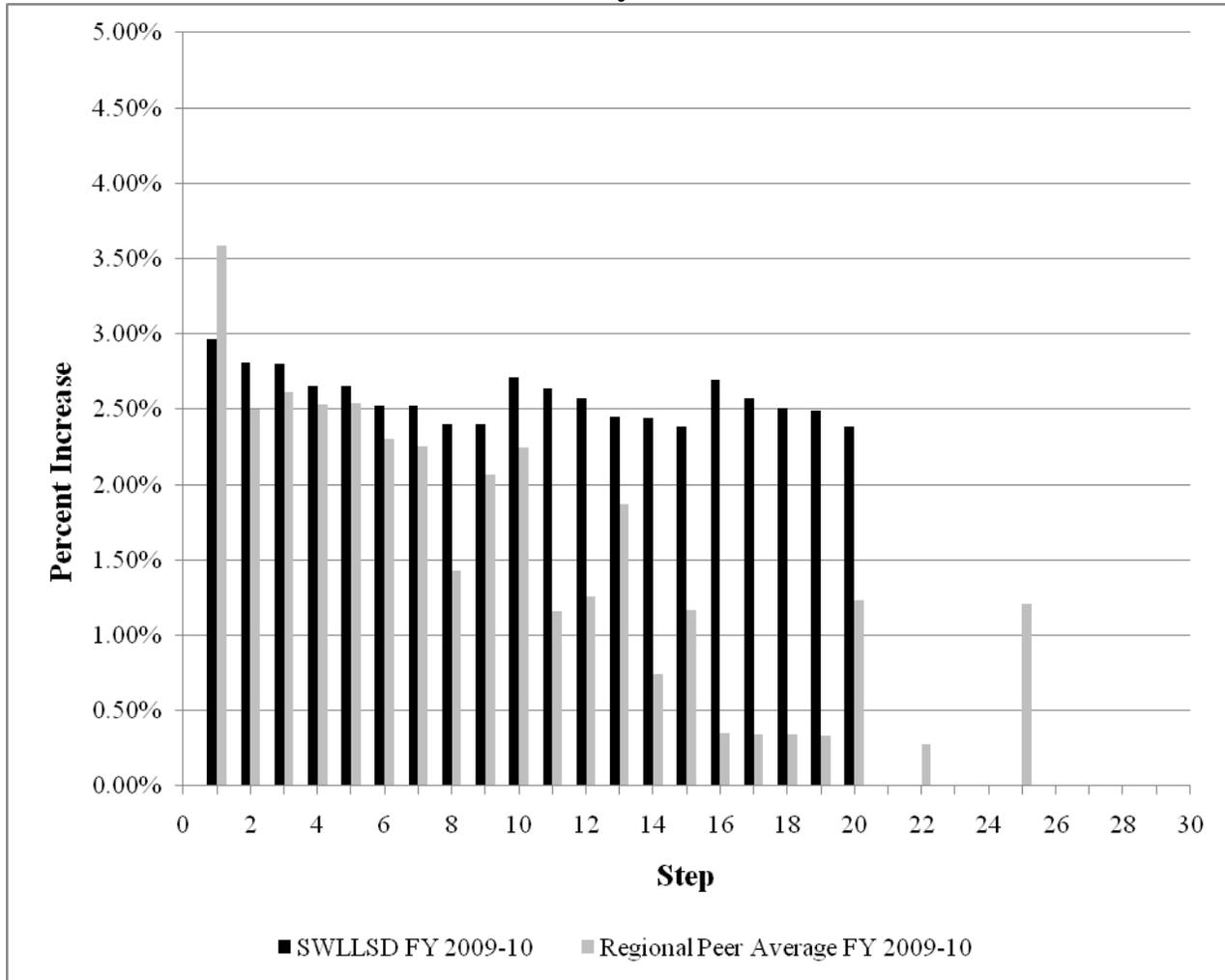
**Note:** Differences may be off due to rounding

**Chart A-9: Secretary Salary Schedule**



Source: SWLLSD and regional peer district FY 2009-10 salary schedules

**Chart A-10: Secretary Percent Increases**



Source: SWLLSD and regional peer district FY 2009-10 salary schedules

**Table A-6: Bus Driver Salary Schedule**

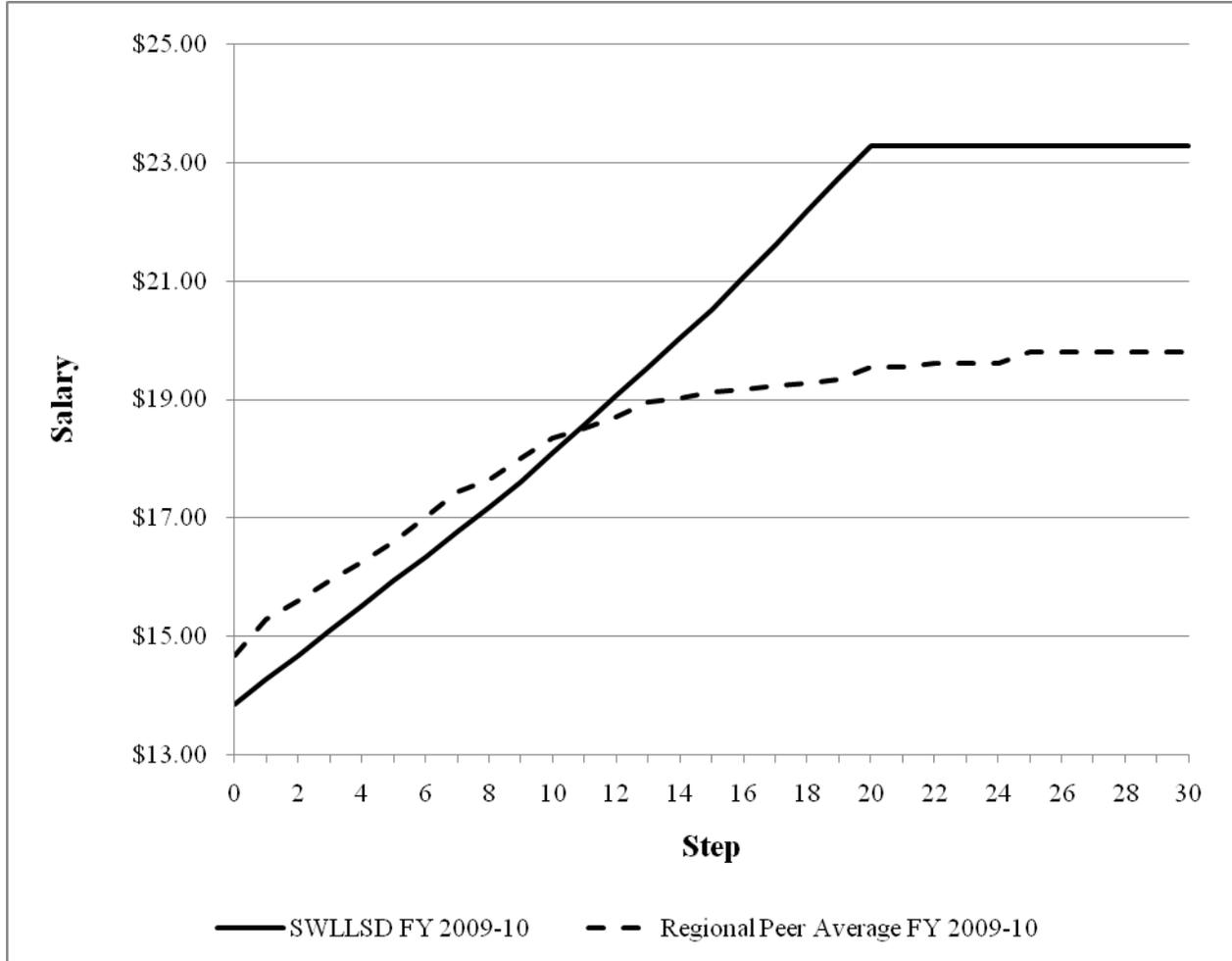
	SWLLSD	Regional Peer Average	Difference
Base Rate	\$13.86	\$14.69	(\$0.83)
Ending Rate	\$23.28	\$19.81	\$3.47
Average Dollar Step Increase	\$0.31	\$0.17	\$0.14
Average Percent Step Increase	1.8%	1.0%	0.7%
Total Percent Salary Increase	68.0%	36.5%	31.4%
Total Salary Schedule Cost	\$917,784	\$849,597	\$68,187

Source: SWLLSD and regional peer district FY 2009-10 salary schedules

Note 1: Differences may be off due to rounding

Note 2: The regional peer average does not include Pickerington LSD because this district contracts for transportation services through a third part and therefore does not employ bus drivers.

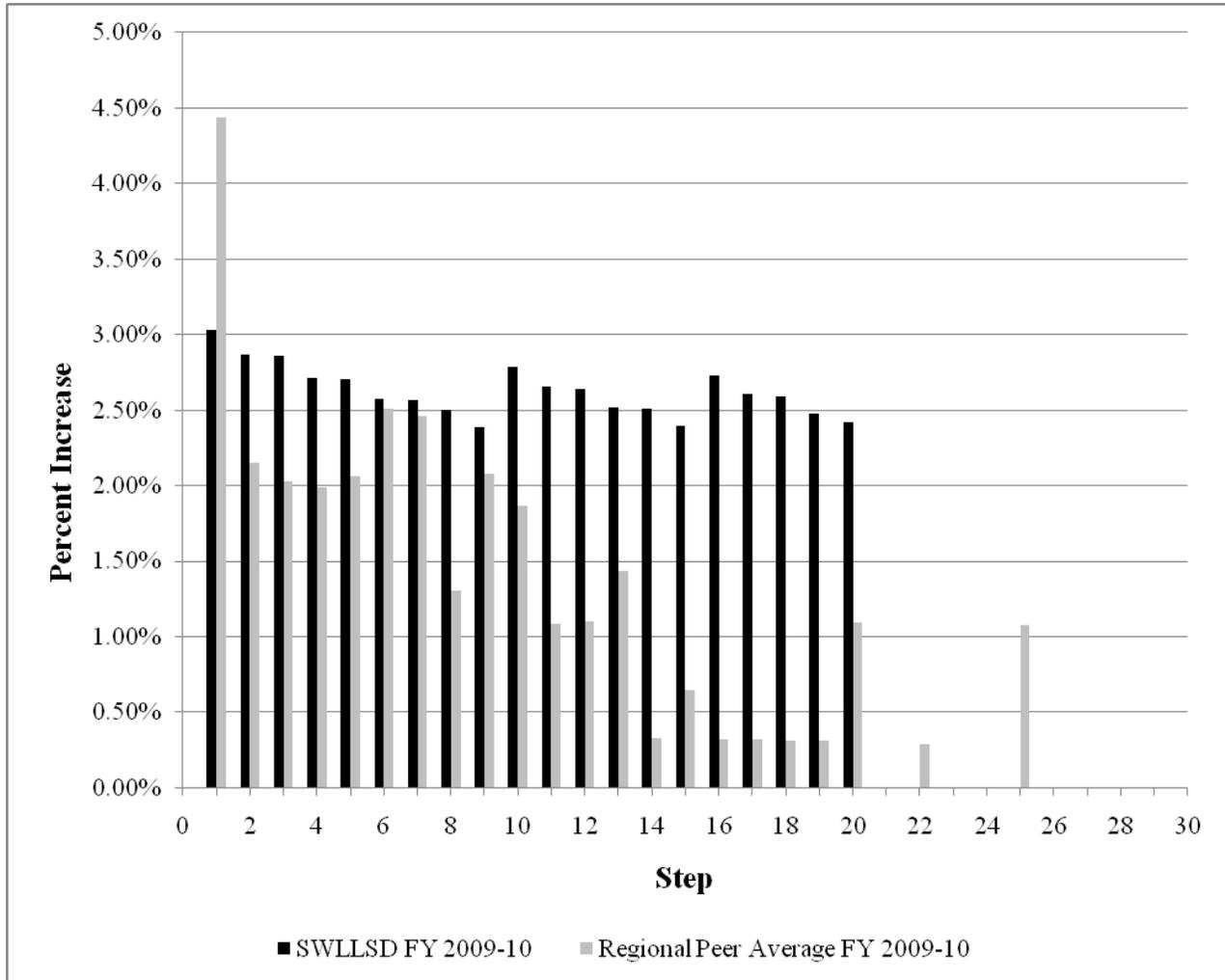
**Chart A-11: Bus Driver Salary Schedule**



**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Note:** The regional peer average does not include Pickerington LSD because this district contracts for transportation services through a third part and therefore does not employ bus drivers.

**Chart A-12: Bus Driver Percent Increases**



**Source:** SWLLSD and regional peer district FY 2009-10 salary schedules

**Note:** The regional peer average does not include Pickerington LSD because this district contracts for transportation services through a third part and therefore does not employ bus drivers.

## **District Response**

---

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



# SOUTHWEST LICKING LOCAL SCHOOLS

927-A South Street  
Pataskala, OH 43062

Richard D. Jones, Treasurer  
rdjones@laca.org

Phone: (740) 927-4744  
Fax: (740) 927-4648  
Web: [www.swl.k12.oh.us](http://www.swl.k12.oh.us)

September 30, 2010

Mary Taylor, CPA  
Auditor of State of Ohio  
615 West Superior Avenue, 12<sup>th</sup> Floor  
Cleveland, Ohio 44113

Dear Auditor Taylor,

On behalf of the Southwest Licking Board of Education, we are writing to address the performance audit that was conducted by your office.

For fiscal year 2011, which started July 1, 2010, the school district has already reduced the following staff through attrition:

1. Three point five (3.5) custodians (recommendation 4.8, page 72),
2. One (1) Assistant to the Treasurer,
3. Point five (.5) Guidance Counselor (recommendation 1.4, page 18),
4. One (1) School Psychologist (recommendation 1.9, page 26),
5. One (1) Teacher (recommendation 1.3, page 16), and
6. One (1) Bus Driver; thereby, reducing one (1) bus (recommendation 3.2, page 47).

In addition, the school district reduced all building and department budgets by ten percent (10%), reduced professional development cost through the use of waiver days, and eliminated all discretionary meeting expenditures.

Based on feedback received during the performance audit status meetings with your office, the school district has applied for and received a motor tax refund in the amount of \$5,218.80 for fiscal year 2010 (recommendation 3.4, pages 52-54), reduced two (2) kindergarten routes (recommendation 3.2, page 47), and is in the process of selling six (6) of our spare buses (recommendation 3.6, page 56).

Donald Huber, Board of Education President, has responded regarding the performance audit stating the following "In no way do we want to come across as defensive, that is, of blindly defending all aspects of the status quo. There are important suggestions for change in the report that we must implement and that we should acknowledge up front." Mr. Huber goes on to say "I would like to see us tackle certain issues ASAP, which could include additional reductions during this school year regardless of whether the levy passes."

We placed the above paragraph in the school district's response to show the Auditor of State and more importantly the citizens of the school district that the Board of Education takes seriously the recommendation in the performance audit report and is committed to cut operating cost where ever possible.

Thank you for your staff's work and willingness to perform a fair and impartial audit.

Sincerely,

  
Donald L. Huber  
Board President

  
Forest L. Yocum  
Superintendent

  
Richard D. Jones  
Treasurer