



Dave Yost • Auditor of State



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To the Residents, Administrators and Board of Education of the Portsmouth City School District:

Based on a request from the Ohio Department of Education, the District's May 2010 forecast, and ongoing financial problems, the Auditor of State's Office initiated a performance audit of the Portsmouth City School District. The functional areas assessed in the performance audit were: Financial Systems, Human Resources, Facilities and Transportation. These areas were selected because they are important components of the District's operations.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of the operations of Portsmouth City School District. While the recommendations contained in the audit report are resources intended to assist in reducing its expenditures, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a District overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study and financial implications. This report has been provided to the District and its contents discussed with the appropriate administrators and District management. The District has been encouraged to use the results of the performance audit as a resource in further improving its financial stability.

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

Sincerely,

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

December 8, 2011

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Executive Summary

Background

Project History

The Auditor of State (AOS) initiated a performance audit of Portsmouth City School District (Portsmouth CSD or the District) at the request of the Ohio Department of Education (ODE). This performance was initiated because of the District's ongoing financial problems and projected future year deficits. The audit includes an examination for the District's financial, strategic, and human resource management practices, as well as facility management and deployment of pupil transportation. This performance audit is the second one conducted of Portsmouth CSD since 2002.

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

District Overview

Portsmouth CSD is located in Scioto County and encompasses approximately 16 square miles. According to average daily membership (ADM) data, Portsmouth CSD served approximately 2,938 students in FY 2009-10, a decrease of 1.3 percent when compared to the previous year's ADM of 2,976. In FY 2010-11, Portsmouth CSD had 259.6 FTE employees, including 12.5 administrators, 121.6 teachers and 82.4 classified employees. Its general education student-to-teacher ratio was 14.4 to 1. Portsmouth CSD has experienced a declining enrollment trend resulting from open enrollment and the continued growth of a community school within the District.

Portsmouth CSD's facilities consist of two elementary school buildings and one middle/high school building. As part of the Ohio School Facilities Commission (OSFC) Classroom Assistance Program, Portsmouth CSD was provided with approximately \$52.6 million for construction of two elementary schools, one middle school and one high school. In November 2001, Portsmouth CSD passed an \$11.5 million bond levy for its matching portion of the construction costs, estimated to total \$64.1 million. A portion (0.5 mill) of the bond levy was designated for maintenance of the new facilities. The construction project was completed in the summer of 2005.

The Ohio Department of Education (ODE) reported that Portsmouth CSD received 19.4 percent of its revenue from local sources, 58.8 percent from the State, and 21.8 percent from federal and other sources in FY 2009-10. The last time a levy was passed that generated new money was in 1987 and the District remains at the 20 mill floor. In FY 2009-10, which was the latest year available at the time of the audit, the District's expenditures per pupil were \$11,446. This expenditure level exceeded the State average of \$10,512. The District's general operating budget was approximately \$15.5 million during FY 2009-10. According to Portsmouth CSD's 2009 and 2010 local report cards, the District has been in continuous improvement for two consecutive years, meeting only 4 of 30 academic performance standards in FY 2008-09, and 11 of 26 standards in FY 2009-10. Information for FY 2009-10 shows an increase in the performance index to 86 from 82 in the previous year, placing Portsmouth CSD in continuous improvement.

As most of the operating costs for the District are salaries and benefits for personnel, Portsmouth CSD will need to make significant operating changes to close its deficit. Auditors estimated that Portsmouth CSD exceeds the State minimum standards for regular education teachers by 43 full-time equivalents (FTEs). While Districts generally operate above State minimum standards and reductions to that level could have an impact on the education programs, Portsmouth CSD may be able to achieve cost reductions in this classification. For each regular teacher eliminated, the District would save an average of \$50,221. Savings would also accrue from reductions in the cost of insurance and retirement benefits. Additionally, the District has agreed to pay increases for both certificated and classified staff that negatively impacts its ability to close its deficit. Lastly, the District did not make significant changes to its insurance premiums and its employee cost sharing percentages in the last round of collective bargaining. As a result, these are significantly above the average cost of regional insurance premiums.

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 Portsmouth CSD 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. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

To complete this report, auditors gathered and assessed data from Portsmouth CSD; conducted interviews with District personnel; identified applicable benchmarks and leading practices; and developed a composite of ten "peer" districts from across the State. The peer districts include: Alliance CSD, Bucyrus CSD, Cambridge CSD, Fostoria CSD, Ironton CSD, Mad River CSD,

Niles CSD, South Point LSD, Stuebenville CSD, and Whitehall CSD. Where appropriate, such as when assessing salaries and collective bargaining agreements, AOS used a small set of regional peers from Scioto County. In these cases, the different peers are noted.

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

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

The Auditor of State and staff express appreciation to Portsmouth CSD 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 Portsmouth CSD 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. Financial Systems

- Revise the forecast to include scenarios showing reductions in State Unrestricted Grants in Aid.
- Implement written policies and procedures related to the financial forecasting process.
- Create and formally implement a strategic plan that spans five years in length.

2. Human Resources

- Implement a formal comprehensive staffing plan.
- Eliminate up to 43 FTE regular teachers to bring regular teacher staffing in line with available financial resources and remain at or above State minimum standards.
- Eliminate 1.0 administrative staff FTE.
- Eliminate 2.0 FTE library staff positions.
- Eliminate 1.0 FTE nursing position.
- Review special needs staffing and link to the staffing plan.
- Renegotiate salary schedules for classified staff and seek a freeze on cost of living increases during FY 2012-13.
- Implement cost-saving strategies in order to reduce the cost of health insurance, including a cost-sharing arrangement with employees to contribute 15 percent of the cost of premiums.
- Renegotiate provisions that are costly and exceed standards.
- Take steps to reduce sick leave to the State average in order to avoid substitute costs.

3. Facilities

- Reduce the cost of purchased services for facilities in order to bring facility costs more in line with the peer district average and charge a portion of utility costs to food service operations.

- Implement leading-practice energy conservation policies and education programs.
- Reduce overtime costs to 2 percent of District maintenance salary.

4. Transportation

- Revise and update the transportation policy.
- Develop and implement written procedures for completing, reconciling, and submitting transportation reports.
- Eliminate two active buses from the District's fleet of buses and purchase bus routing software.
- Establish and collect fees for the non-routine use of school buses.
- Reduce the spare bus fleet by two buses.

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
R2.2 Eliminate 19 FTE regular education teachers to meet financial constraints and State minimum standards.	\$950,000
R2.3 Reduce administrative staff by 1 FTE.	\$107,000
R2.4 Eliminate 2 FTE library staff to bring staffing in line with the peer average.	\$57,000
R2.5 Eliminate 1 FTE nursing staff to bring staffing in line with the peer average.	\$28,000
R2.7 Modify salary schedules and implement a pay freeze.	\$197,000
R2.8 Reduce the costs of health insurance and implement at 15 percent cost sharing arrangement.	\$349,000
R2.10 Reduce the rate of sick leave utilization by implementing recommended practices and reduce the total cost of substitute employees.	\$55,000
R3.3 Reduce overtime usage.	\$47,000
R4.3 Eliminate two active buses from the fleet and implement routing software.	\$75,000
R4.5 Eliminate two spare buses from the fleet.	\$3,450
Total Cost Savings from Performance Audit Recommendations:	\$1,868,450

Audit Objectives

The following audit objectives were used to conduct the performance audit of the Portsmouth CSD. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. In some instances, objectives were modified based on actions taken by the District to address its deficit or high risk environments indentified by the auditors during the course of their work.

Financial Management

- What has been the District's financial history (including; use of emergency school loans, spending reserve, history of deficit spending, other issues that are affecting the District's financial situation)?
- What is the allocation of the District's revenue and expenditures (per pupil) and how does it compare with peer districts?
- Does the District have comprehensive policies and procedures that generally meet recommended practices?
- What is the current organizational structure of the financial staff?
- Does the District analyze financial accounting procedures to minimize duplication of efforts and are employees cross-trained?
- Are the historical figures prepared by the district valid and reliable? (If there are unresolved, reportable conditions in the financial audit management letters, these should be addressed in the performance audit report.)
- Does the treasurer/District prepare the forecast in a manner consistent with state guidelines and expectations?
- Does the District have formal policies and procedures for financial forecasting, and do they identify all responsible parties included in forecast development?
- Does the District's five-year forecast reasonably and logically project future revenues to provide a reasonable assurance of accuracy?
- Is direct deposit used to reduce costs to the District?
- Has the District developed a strategic plan that links to educational and operational plans and meets best practice criteria?

Human Resources

- How do the insurance benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's costs for dental, vision, and life insurance comparable to state averages and industry benchmarks?
- Do the District's Worker's Compensation risk rating and mitigation practices meet recommended practices?

- What is the affect of leave policies and usage at the District in comparison to State benchmarks?
- Does the District have a staffing plan and process that is consistent with its educational goals, its available resources, State requirements, and best practices?
- Is the District's compensation package in line with selected peer districts, state averages, and industry practices?
- How do the staffing levels at the District compare to the selected peer district average and State standards (when applicable)?
- How much does the District contribute to the employee's portion of STRS/ SERS and how does it compare to industry practice?
- Has the District implemented an Early Retirement Incentive (ERI) and was it effective in reducing overall personnel costs?

Facilities

- How has the District's Maintenance and Operations (M&O) Department spending changed during that past 3 to 4 years?
- How does the M&O Department's cost per square foot compare to industry standards (possibly include a comparison to peer districts)?
- How is the M&O Department staff allocated between supervision, maintenance, cleaning, and groundskeeping?
- How does the District's M&O Department staffing level compare to industry benchmarks?

Transportation

- How 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?
- How can the District improve its operating efficiency?
- Does the District employ efficient routing methods, including but not limited to, multi-tier routing, staggered bell schedules, automated routing software, and cluster stops?
- How many bus routes could potentially be eliminated to bring riders per bus more in line with benchmarks and what are the associated savings?
- Does the District have policies that help ensure the efficient transportation of special needs students?
- Is the District providing specialized transportation service in an effective and efficient manner?
- How do the District's transportation policies and procedures compare with leading practices and how do they impact operations?
- Does the District have a written policy with guidelines for charging for the non-routine use of buses and is it followed?

- Is the District effectively and efficiently maintaining and managing its fleet?

- Does the District have sufficient controls in place to ensure the security of its buses, equipment, parts, supplies, and fuel?
- How does the District ensure it gets the best value when purchasing transportation related items?

Financial Systems

Background

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

Treasurer's Office Operations

The Treasurer's Office is responsible for forecasting, budgeting, payroll, accounts payable, accounts receivable, and accounting for the District's grants. The Treasurer's Office consists of 4.0 full-time equivalent (FTE) staff including the Treasurer, an assistant treasurer, an accounts payable clerk, and an accounts receivable clerk. The Treasurer was hired as the Assistant Treasurer in 2008 and became Treasurer in FY 2009-10.

Revenues and Expenditures

Portsmouth CSD's year-end General Fund balance increased to over \$2.5 million in FY 2009-10 from approximately \$1.8 million in FY 2008-09 and \$1.9 million in FY 2007-08. However, the District's five-year financial forecast projects a year-end General Fund deficit beginning in FY 2012-13. This deficit, projected at approximately \$498,000 is expected to grow to over \$6 million by FY 2014-15.

Revenues

ODE uses school districts' year-end financial data to categorize revenue by three sources: local, State, and federal. **Table 1-1** compares Portsmouth CSD's revenue per pupil with the peer average for FY 2009-10.

Table 1-1: Revenue per Pupil (RPP) - Peer Comparison

	Portsmouth CSD RPP	Peer Average RPP	RPP Difference	Percent Difference
Local Revenue	\$2,603	\$2,839	(\$236)	(8.3%)
State Revenue	\$7,883	\$5,776	\$2,107	36.5%
Federal Revenue	\$2,930	\$1,493	\$1,436	96.2%
Total Revenue per Pupil (RPP)	\$13,415	\$10,108	\$3,307	32.7%

Source: Ohio Department of Education

Note: Totals may vary due to rounding.

Table 1-1 shows that in FY 2009-10, Portsmouth CSD received approximately 32.7 percent more total revenue per pupil than the peer average. This significant difference is entirely due to State and federal funding as these sources provided Portsmouth CSD with 36.5 percent and 96.2 percent more funding respectively than the peer districts. In contrast, Portsmouth CSD has been unable to generate a level of local revenue similar to the peer districts as shown by the fact that local revenue per pupil is 8.3 percent lower than the peer average. The District's heavy reliance on State and federal funding as a percentage of total revenue leaves the District more vulnerable to fluctuations in revenue due to changes in State and federal economies, as opposed to districts that rely more heavily on local revenue.

Expenditures

ODE uses the Expenditure Flow Model (EFM) to report per-pupil spending for Ohio's schools. The EFM uses districts' end of year financial records to organize expenditure data into meaningful and comparable categories and report expenses related to the education of students. Because school districts often handle funds unrelated to the instruction of students, not all expenditures accounted for by a school district are included in the model. District-level expenses for each expenditure type are reported on a per-pupil basis. Table 1-2 provides a comparison between Portsmouth CSD and peer average FY 2009-10 expenditures based on function level cost classifications.

Table 1-2: Expenditure per Pupil (EPP) - Function Level Comparison

	Portsmouth CSD	Peer Average	Difference	% Difference
Instruction	\$6,260.84	\$5,637	\$623.37	11.1%
Support Services	\$4,494.83	\$3,833	\$661.96	17.3%
Operations of Non-Instruction	\$527.55	\$539	(\$11.43)	(2.1%)
Extracurricular Activities	\$165.74	\$162	\$3.27	2.0%
Total	\$11,448.97	\$10,087	\$1,361	13.5%

Source: Ohio Department of Education

As illustrated in Table 1-2, Portsmouth CSD's expenditures per student were 13.5 percent higher than the peer average. This significant difference from the peer average was due primarily to the following:

- **Instruction** - This classification includes expenditures directly dealing with the instruction of pupils. The main drivers of higher costs in this classification for

Portsmouth CSD were special instruction (25.1 percent higher than the peer average), vocational education (95.0 percent higher than the peer average) and other instruction (97.5 percent higher than the peer average). Regular instruction expenditures, by far the largest portion of instruction costs, were in line with the peer average at approximately \$4,000 per student. Higher than average special instruction, vocational education and other instruction expenditures result from personnel costs in these areas that are further examined in **human resources**.

- Support Services** - This classification primarily includes expenditures for services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. Among the main drivers of Portsmouth CSD's higher costs in this category were pupil support and administration. Pupil support, which includes services such as guidance counselors, health services, psychological services and speech pathology, exceeded the peer average by 27.2 percent. Expenditures classified as administration represent costs for the overall administration of the District, including the office of the superintendent, principals, secretaries and building services. These costs exceeded the peer average by 8.3 percent. Like instructional costs, this category is highly dependent on staffing and salary levels that are examined in **human resources** and **facilities**.

School districts also classify expenditures based on object level classifications which are dependent on expenditure type. **Table 1-3** displays Portsmouth CSD's FY 2009-10 expenditures by object in comparison to the peer average.

Table 1-3: Expenditure per Pupil (EPP) - Object Level Comparison

	Client EPP	Peer Average EPP	EPP Difference	Percent Difference
Salaries and Wages	\$6,361	\$5,946	\$415	7.0%
Employee Benefits	\$3,127	\$2,306	\$822	35.6%
Purchased Services	\$1,018	\$888	\$131	14.7%
Supplies and Materials	\$649	\$569	\$80	14.1%
Capital Outlay	\$89	\$178	(\$89)	(50.0%)
Capital Replacements	\$0	\$32	(\$32)	(100.0%)
Other Objects	\$202	\$169	\$33	19.5%
Other Uses of Funds	\$0	\$0	\$0	NA
Total Expenditure per Pupil (EPP)	\$11,446	\$10,087	\$1,360	13.5%

Source: Ohio Department of Education

Table 1-3 shows that Portsmouth CSD's expenditures per pupil by object level were higher than the peer average in every category displayed with the exception of capital outlay and capital replacements. The primary cost drivers for each object level that exceeded the peer average are as follows:

- Salaries and Wages** - This cost category exceeded the peer average due to higher regular and supplemental staffing. These object level expenditures exceeded the peer average by

7.4 percent and 35.8 percent respectively. Higher salaries and wages are primarily the result of higher staffing levels or higher salary and wage scales that are analyzed in **human resources**. Also, examined in this section are supplemental payments for classified employees and overtime both of which exceeded the peer average.

- **Employee Benefits** - This object code significantly exceeded the peer average (35.6 percent higher) due to higher employer retirement contributions, insurance payments and workers compensation. An in-depth analysis of these expenditures was performed in **human resources**.
- **Purchased Services** - This cost category exceeded the peer average primarily due to payments for professional and technical services that are not performed by District employees. In addition, payments for property services and utilities (electricity and natural gas) significantly exceeded the peer average and these are further analyzed in **facilities** and **transportation**.
- **Supplies and Materials** - This cost category exceeded the peer average due to higher than average payments for classroom supplies and software that exceeded the peer average by 116.9 percent and 89.9 percent respectively. In addition, payments for food purchases exceeded the peer average by 50 percent. Portsmouth CSD's purchasing processes and practices were examined in **financial systems**, **facilities** and **transportation**.

Recommendations

R1.1 Revise the forecast based on up-to-date information on State foundation revenue.

Portsmouth CSD should revise its five-year financial forecast to reflect the most current published information on State FY 2011-13 budget and the impact of revenue shortfalls on education funding. The Treasurer should incorporate scenarios reflecting the projected decline in State revenues. A reduction in State Foundation revenue will reduce Portsmouth CSD's revenues, thereby increasing its projected deficit.

Portsmouth CSD's FY 2010-11 October five-year forecast presents historical revenue and expenditure information from FY 2007-08, FY 2008-09, and FY 2009-10. Analysis of these figures, when compared with the District's financial reports, found that the figures presented were sufficiently reliable. However, the Treasurer did not consider a decrease in State funding for the Unrestricted Grants in Aid in the later forecast years. **Table 1-4** shows the October FY 2010-11 forecast with a 5, 10 and 15 percent reduction in State funding applied to the existing assumptions in the other line items. Due to the State's looming budget shortfall, AOS and other State-level educational associations had recommended school districts plan for a reduction in State funding.

Table 1-4: Forecast Percentage Change Illustrating Reduced State Funding

Line	Actual	Forecasted				
	FY 2009-2010	FY 20010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Original District Forecast						
1.035 Unrestricted Grants-in-Aid	\$17,540,301	\$17,648,593	\$17,648,593	\$17,648,593	\$17,648,593	\$17,648,593
6.010 Excess Rev & Other Financing	\$697,740	\$(69,638)	\$(988,618)	\$(2,128,911)	\$(2,577,403)	\$(3,187,559)
15.010 Unreserved Fund Balance	\$2,541,516	\$2,619,795	\$1,630,577	\$(498,952)	\$(3,076,992)	\$(6,265,207)
5% Reduction in State Funding in FY 2011-12, No Change in Future Years						
1.035 Unrestricted Grants-in-Aid	\$17,540,301	\$17,648,593	\$16,766,163	\$16,766,163	\$16,766,163	\$16,766,163
6.010 Excess Rev & Other Financing	\$697,740	\$(69,638)	\$(1,871,048)	\$(3,011,341)	\$(3,459,835)	\$(4,069,990)
15.010 Unreserved Fund Balance	\$2,541,516	\$2,619,795	\$748,147	\$(2,263,812)	\$(5,724,284)	\$(9,794,929)
10% Reduction in State Funding in FY 2011-12, No Change in Future Years						
1.035 Unrestricted Grants-in-Aid	\$17,540,301	\$17,648,593	\$15,883,734	\$15,883,734	\$15,883,734	\$15,883,734
6.010 Excess Rev & Other Financing	\$697,740	\$(69,638)	\$(2,753,477)	\$(3,893,770)	\$(4,342,264)	\$(4,952,419)
15.010 Unreserved Fund Balance	\$2,541,516	\$2,619,795	\$(134,282)	\$(4,028,671)	\$(8,371,572)	\$(13,324,646)
15% Reduction in State Funding in FY 2011-12, No Change in Future Years						
1.035 Unrestricted Grants-in-Aid	\$17,540,301	\$17,648,593	\$15,001,304	\$15,001,304	\$15,001,304	\$15,001,304
6.010 Excess Rev & Other Financing	\$697,740	\$(69,638)	\$(3,635,907)	\$(4,776,200)	\$(5,224,694)	\$(5,834,849)
15.010 Unreserved Fund Balance	\$2,541,516	\$2,619,795	\$(1,016,712)	\$(5,793,530)	\$(11,018,861)	\$(16,854,365)

Source: District forecast and AOS analysis

Since the completion of fieldwork on this audit, the 2012-13 State budget has been passed by the General Assembly and signed by the Governor. The biennial budget does not reduce school district funding to the extent initially projected. However, many districts have experienced some decline in revenues from the State.

In its May 2011 forecast, Portsmouth CSD reduced its projected state revenues slightly from the amounts included in its October 2010 forecast. However, based on information available on the ODE web site (bridge simulation), the District's projected State revenues still exceed the amounts projected by the State. These amounts vary by \$162,000 in FY 2010-11 to \$221,000 in FY 2012-13.

In 2009, Ohio was allocated \$845 million in State Fiscal Stabilization Funds from the American Recovery and Reinvestment Act. The intention of these funds was to help stabilize state and local budgets in an effort to minimize or avoid reductions in education and other essential services. State Fiscal Stabilization Funds (SFSF) were awarded for FYs 2009-10 and 2010-11.

SFSF has not been reauthorized by Congress; therefore, Ohio school districts were directed not to include SFSF revenues or a corresponding amount in Unrestricted Grants in Aid in the five-year forecast beyond FY 2010-11. Districts were also cautioned to consider that there was no reasonable basis to assume the State of Ohio would increase State funding for schools to offset the loss of SFSF funds. Finally, State lawmakers and the Auditor of State's Office began to counsel districts to project a reduction in Unrestricted Grants in Aid of between 10 and 20 percent for FY 2011-12.

While Portsmouth CSD is not required to develop various scenarios in its forecast, calculating the impact of reductions in State funding would help it better prepare for a range of potential outcomes. In some cases, governments even develop contingency plans to address each likely scenario with budgetary and/or program reductions to meet any projected shortfalls. Once the actual revenue shortfall is known, the government enacts the corresponding plan to address budgetary circumstances.

The Treasurer did not take State funding cuts into consideration when he was completing the five-year forecast and Portsmouth CSD has not developed contingency plans to address potential budget shortfalls. Additionally, the District's May 2011 forecast has not been updated to include the ODE bridge scenarios to better reflect likely funding levels.

Failing to consider potential State funding cuts results in a financial forecast that underestimates future deficits and reductions in expenditures that will not be sufficient to mitigate the District's deficit. Using scenarios and updated information from ODE to reflect the potential impact of varying reductions in State funding will help Portsmouth CSD better prepare for these revenue reductions and have in place various plans to address projected deficits.

R1.2 Implement formal financial policies outlining Board expectations associated with financial forecasting.

Portsmouth CSD should implement written policies and procedures for financial forecasting. The

policies and procedures should outline preparation timetables, forecast assumptions and methodology, as well as the process used to update existing forecasts. In addition, the forecasting policy should identify all participants in the forecasting process and include an outline for how and when those participants should review the forecast for accuracy.

Portsmouth CSD does not have a Board policy that defines the procedures for preparing financial forecasts such as preparation tables, the creation of assumptions and methodologies and updating protocol. The Treasurer uses the SM-2 Report, historical data, trends, and legislative issues to develop a forecast.

Documentation of Accounting Policies and Procedures (GFOA, 2002) suggests formally documenting accounting policies and procedures as an effective method of internal control for reporting. Policies and procedures should be formalized, approved, and added to the current operational guidelines/policies. Moreover, *Use of Cash Flow Forecasts in Operations* (GFOA, 2008) notes that a government's forecast preparation process should be organization-wide and as such, all operating departments should be involved in developing reasonable expectations of planned expenditures. Collaborative forecasting allows for more accurate measurement and prioritization relative to governmental goals. Finally, *Financial Forecasting in the Budget Preparation Process* (GFOA, 2001) recommends that a forecast, along with its underlying assumptions and methodology, be clearly stated and made available to participants in the budget process.

Without a formal Board-approved policy encompassing all aspects of forecast development, review, and approval, the District may not be using the most effective approach in its planning and budgeting efforts. By creating policies and procedures that govern the process used to develop forecasts, Portsmouth CSD can better define the roles of those involved in the forecasting process and provide a more consistent framework and methodology for forecasting District outcomes.

R1.3 Create and implement a formal strategic plan.

The District should create and formally implement a long-range strategic plan (e.g. five years). The plan should include a mission statement, an environmental assessment, a small number of broad goals, a strategy to achieve broad goals, and a policy to review and reassess the plan every one to three years. The District should link the plan to the budget and incorporate any potential constraints presented by the five-year financial forecast when creating the goals. This will ensure that the mission and goals are realistic and fiscally attainable.

The District does not have a strategic plan that establishes the its mission and goals and provides a framework for administrators and employees on how to measure and achieve these goals. It completes the ODE-required Comprehensive Continuous Improvement Plan (CCIP) that is related to grant funding. However, it has no plan that addresses both academic and operational goals.

The Government Finance Officers Association (GFOA) recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. This enables the entity to establish logical links between authorized spending and broad organizational goals. According to the GFOA some of the more important strategic planning processes will include:

- A mission statement;
- An environmental assessment;
- Identification of critical issues;
- A small number of broad goals;
- A strategy to achieve broad goals;
- An action plan;
- Specific measurable objectives;
- Progress monitoring at regular intervals; and
- Strategic planning reassessment every one to three years.

The District may want to consider reviewing strategic plans such as those in use in the Westerville and North Union school districts. These school districts have strategic plans that include specific district goals and strategies to achieve those goals. Portsmouth CSD could use these as templates or examples in the creation of its own strategic plan.

The District has historically not developed a multi-year strategic plan and recent turnover in administrative positions has led to a reactive environment. However, without an effective strategic plan, the District runs the risk of operating inefficiently or directing its resources to ineffective programs.

Human Resources

Background

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

Organizational Structure and Function

Portsmouth CSD's Superintendent reports directly to the Board of Education (the Board) and is responsible for the overall management of the District, including program and staff decisions. Building administrators, the Assistant Superintendent, the directors of student services, special education, technology, communications, human resources, and a program and accountability officer, all report directly to the Superintendent. The Assistant Superintendent is responsible for maintaining Board policies and oversees the Educational Management Information System (EMIS) Secretary. The Treasurer is responsible for District finances while the EMIS Secretary is responsible for reporting staff and student data. The Human Resource functions are led by the Superintendent and Treasurer, and encompass negotiations, labor relations, employee discipline, maintaining personnel files, teacher licensure, recruitment, and assisting in determining staffing levels at the District.

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

Staffing

Table 2-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at Portsmouth CSD and the average of the peer districts. Staffing data for both the District and the peers is FY 2009-10 data as reported to ODE through EMIS. Data for Portsmouth CSD was reviewed to determine if significant changes had occurred. EMIS position codes were grouped into categories that represent broad functional areas and may not match the subtotals shown on EMIS reports. The staff levels shown in **Table 2-1** have been presented on a per 1,000 student basis because staffing levels are partially dependent on the number of students served. In

addition, presenting data in this manner decreases variances attributable to the size of the peers.

Table 2-1: Staffing Comparison Summary (In FTEs)¹

	Portsmouth CSD		Peer Average		Difference	
	FTE Staff	FTE/1,000 Students	FTE Staff	FTE/1,000 Students	FTE Staff	FTE/1,000 Students
Administrative	12.5	5.8	15.5	6.3	(3.0)	(0.5)
Office/Clerical	17.5	8.2	19.7	8.4	(2.2)	(0.2)
Teaching	121.6	56.8	138.7	57.5	(17.1)	(0.7)
Education Service Personnel (ESP)	11.8	5.5	19.7	8.0	(7.9)	(2.5)
Educational Support	25.3	11.8	16.9	6.8	8.4	5.0
Other Certificated	6.0	2.8	4.0	1.5	2.0	1.3
Non-Certificated Classroom Support	16.4	7.7	25.7	10.6	(9.3)	(2.9)
Other Technical/Professional Staff	3.3	1.5	3.4	1.5	(0.1)	-
Other Student Services	7.3	3.4	5.6	2.2	1.7	1.2
Operations	37.9	17.7	64.0	26.5	(26.1)	(8.8)
Total Staff	259.6	121.2	313.2	129.3	(53.6)	(8.1)

Source: Portsmouth CSD and the Ohio Department of Education

¹ According to the FY 2010 EMIS Reporting Manual (ODE 2010) instructions for reporting staff data, full-time equivalency (FTE) is the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time.

² Reflects the number of FTE students receiving educational services from the district and excludes the percent of time students are receiving educational services outside of the district.

As illustrated in **Table 2-1**, Portsmouth CSD's total staff per 1,000 students is lower than the peer average. Office/clerical, teaching, ESP, non-certificated, and administrative staff fall below the peer average on a per 1,000 student basis. Operations staff, which includes custodial, maintenance, and food service personnel, was also below the peer average on a per 1,000 student basis. Educational support, other certificated and other student services are above the peer average. A more detailed analysis was performed for each category using other benchmark data such as number of buildings, number of regular/special needs students, and other industry standards available for a more functional review. The following provides a more detailed explanation of the staffing categories shown in **Table 2-1**.

- **Administrative:** Portsmouth CSD employees included in this category are District and building level administrators, directors and coordinators, and other personnel responsible for the planning, management, evaluation, and operation of the District. A more in-depth review of this staffing area shows the District can eliminate an administrative position when compared with the average of the peer districts (see **R2.3**).
- **Office/Clerical:** This category includes administrative assistants, secretaries, clerks, bookkeepers, and other personnel responsible for clerical duties. There were no staff reduction recommendations made in this staffing category.
- **Teaching:** This category includes general, special, gifted, preschool, career technical, and limited English proficiency (LEP) teachers. A more in depth analysis shows the District

can reduce staffing in general teaching (see **R2.2**). Additionally, a recommendation was made to review the special needs teaching staff and incorporate the results into a staffing plan (see **R2.6**).

- **Educational Service Personnel (ESP):** This category includes kindergarten through grade eight art, music, and physical education teachers, as well as counselors, librarians/media specialists, school nurses, visiting teachers, and social workers. The Ohio Administrative Code rule 3301-35-05(A)(4) prescribes that a minimum of five full-time equivalent educational service personnel be employed district-wide for each one thousand students in the regular student population as defined in section 3317.023 of the Revised Code. Educational service personnel are to be assigned to at least five of the eight staffing areas. A more in depth review was performed using peer averages and the District could become more consistent with the peers by implementing the staffing reductions recommended for library and nursing staff (see **R2.4** and **R2.5**).
- **Educational Support:** Personnel in this category are certificated or licensed employees who work directly with students but who are not the classroom teacher. Specifically, educational support staff includes the positions of remedial specialists and tutors/small group instructors who serve the regular student population. The category also includes supplemental service teachers who work with students with specialized needs. Portsmouth CSD has a higher reliance on education support staff while employing fewer special needs teachers than the peers. A recommendation was made that the District perform an analysis of its special needs program to determine if its staff is deployed efficiently in this category (see **R2.6**).
- **Other Certificated:** This category represents the remaining certificated positions at the District and includes curriculum specialists and other education specialists that hold a certification. There were no recommendations to reduce staff in this category.
- **Non-Certificated Classroom Support:** This category represents support staff that assist in the classroom as teaching aides, instructional paraprofessionals, or attendants. There were no recommendations to reduce staff in this category.
- **Other Technical/Professional Staff:** This category represents other technical and professional staff, including library aides and computer support staff. A recommendation was made to reduce library aide staffing (see **R2.3**).
- **Other Student Services:** This category includes specialists such as psychologists, physical therapists, and speech and language therapists. Many of these positions serve students with disabilities. There were no recommendations made to reduce staff in this category.

Compensation

Table 2-2 shows the District's average salary and salary cost per student in comparison to the peer average for FY 2009-10. Average salaries are impacted by the beginning wage rates, years

of service, negotiated salary schedules, education or skill level attained, and in some cases, employee benefits. Both average salaries and the number of staff employed impact the salary cost per student. Therefore, a district can have higher average salaries but fewer employees, and thus reflect a lower salary cost per student. Conversely, a district could have lower average salaries but more staff than the peers, causing its salary cost per student to be higher.

Table 2-2: Salary Cost Comparison

	Average Salaries			Salaries Per Student Educated ¹		
	Portsmouth CSD	Peer District Average	Percent Difference	Portsmouth CSD	Peer Salaries per Student	Difference
Administrative	\$71,184	\$73,951	(3.7%)	\$415	\$472	(12.1%)
Office/Clerical	\$32,077	\$30,042	6.8%	\$262	\$240	9.2%
Teaching	\$49,929	\$49,811	0.2%	\$2,834	\$2,860	(0.9%)
Education Service Personnel (ESP)	\$54,690	\$51,495	6.2%	\$300	\$414	(27.5%)
Educational Support	\$50,331	\$50,655	(0.6%)	\$593	\$346	71.4%
Other Certificated	\$60,621	\$41,181	47.2%	\$170	\$80	112.5%
Non-Certificated Classroom Support	\$18,942	\$16,707	13.4%	\$145	\$173	(16.2%)
Other Technical/Professional	\$18,942	\$32,802	(42.3%)	\$29	\$43	(32.6%)
Other Student Services	\$44,422	\$49,673	(10.6%)	\$151	\$99	52.5%
Operations	\$28,740	\$21,553	33.3%	\$508	\$552	(8.0%)

Source: Portsmouth CSD and the Ohio Department of Education.

Note: Totals may vary due to rounding.

¹ Students educated reflects the number of FTE students receiving educational service from the District and excludes the percent of time students are receiving educational services outside of the District.

While district-wide average salaries were 8.8 percent higher than the peer average, the salary cost per student educated was 2.5 percent higher than the peer districts, which suggests that the District has both more staff and higher salaries than the peers. The main categories in which salaries are higher are office/clerical, teaching, educational support, other certificated, and other student services. A more in depth review of salaries was made using school district salary step schedules from districts that surround Portsmouth CSD. (See **R2.7**).

In addition to the salary analysis, the District's insurance benefits and collective bargaining agreements were compared to benchmarks and surrounding districts. The District's largest expenditures consist of personnel and benefits costs that are influenced by its collective bargaining agreements. In addition to bargaining provisions, insurance benefit costs are impacted by the cost of claims and employee use. (See **R2.8** and **R2.9**).

Recommendations

R2.1 Develop and implement a formal staffing plan.

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

Portsmouth CSD has not developed a formal process for analyzing staffing though it is using data to make decisions to eliminate costly programs or classes with low enrollment. While these steps can help the District in reducing its costs, a formal plan that meets recommended practices has not been implemented.

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

Lakota Local School District (Butler County) has established a staffing plan that incorporates staffing allocation factors such as State and federal regulations, workload measures, and other leading practices. In general, staffing benchmarks in this plan are calibrated to available General Fund revenues to assist the district in ensuring a balanced budget. Staffing plans can not only be used as guides for determining staffing levels on an annual basis, but also as aids in determining mid-year staffing levels should changes be necessary. The Cincinnati City School District (Hamilton County) has developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals. In addition, the plan includes central and site-based administrators in the process and serves as a valuable planning tool for the district's leadership team.

Like most districts in Ohio, Portsmouth CSD has not developed and implemented a formal staffing plan that would help make sound decisions consistent with its fiscal budget. The 2002 performance audit recommended the District continually monitor enrollment and develop detailed projections that could be used to adjust staffing levels. Additionally, the audit included a recommendation to conduct a detailed analysis of clerical and administrative personnel to determine sufficient staffing and meet the peer average. The District's clerical staffing is slightly higher than the peers, but a staffing plan would help ensure that clerical staff, as well as administrative staff, are properly deployed.

The lack of a formalized, comprehensive and strategic staffing plan may make it difficult for the District to openly communicate staffing strategies and priorities or create contingency plans should it fail to secure sufficient revenue to avoid projected deficits. Furthermore, the District may not be in the optimal position to explain or defend its decisions to hire or reduce personnel without the objective analysis and clear reasoning that a staffing plan offers.

R2.2 Eliminate regular education teachers to meet financial constraints and State minimum standards.

The District should consider eliminating 19 regular teaching positions to bring its overall regular student-to-regular teacher staffing level closer to the State minimum ratio of 25:1 and close its projected budget deficit. 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. Specifically, the District should determine if it has achieved the appropriate blend of teachers and support personnel in the classroom or if alternatives exist that would lower costs. During this process, Portsmouth CSD should consider the financial and academic impact potential staffing changes may have on the District.

Table 2-3 shows the comparison between general education teachers and State minimum requirements.

Table 2-3: Portsmouth CSD and Peer Average Regular Teacher Ratios

	FTE Teachers
General Education Teachers	101.8
State Minimum Required Regular Teachers	58.7
Regular Teachers Above State Minimum Requirements ¹	43.1

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

Note: Totals may vary due to rounding.

¹ Represents the number of FTEs that when added or subtracted would bring Portsmouth CSD’s number of regular students per regular teacher in line with the peer average.

As illustrated in **Table 2-3**, Portsmouth CSD employed 43.0 FTEs more than the State minimum requirement. During FY 2009-10, the District’s regular student enrollment was 1,466 students, resulting in a student teacher ratio of 14.4 students per regular teacher. Although the District is categorized in continuous improvement, its report card indicated that it did not meet adequate yearly progress, achieving only 11 out of 26 indicators during FY 2009-10 despite its higher staffing levels. On average, a regular teaching FTE salary at Portsmouth CSD is \$50,221 (not including benefits) according to EMIS.

OAC 3301-35-05 requires the ratio of teachers to students district-wide to be at least 1.0 FTE classroom teacher for each 25 students in the regular student population.

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

If the District eliminated approximately 30 regular teaching staff it would increase the student to teacher ratio to 20:1, still providing smaller class sizes than the State minimum standard of 25:1. Portsmouth CSD should examine the staffing level and composition of the 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. In doing this, the District must weigh the effect on the education level provided in relation to available resources if it continues to staff above the State minimum requirement. A reduction of 19 regular teaching staff would eliminate deficits through FY 2014-15 based on the District’s current financial forecast with adjustments for reduced State funding. For each regular education teacher eliminated, Portsmouth CSD would save about \$50,000.

Financial Implication: The elimination of 19 FTE regular teachers would save Portsmouth CSD approximately \$950,000 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. A reduction of 19 regular education teachers, coupled with implementation of the other recommendations in this report, would help Portsmouth CSD regain financial stability.

R2.3 Reduce administrative staff by 1 FTE.

Portsmouth CSD should consider eliminating 1.0 FTE central office administrative position to bring its administrative staffing levels more in line with the peer average.

The District employs 1 FTE central office administrator more than the peer average. The prior performance audit in 2002 made a recommendation to eliminate 1 FTE administrative position, but the District did not implement the recommendation.

Table 2-4: Administrative Staff Comparison

Full-time Equivalent (FTE) Staff			
	Portsmouth	Peer Average	Difference
Central Office Administrative Staff (FTE)	7.50	8.01	(0.51)
Building Level Administrative Staff (FTE)	5.00	7.49	(2.49)
Total FTE Administrative Staff (FTE)	12.50	15.50	(3.00)
FTE Staff per 1,000 Students			
	Portsmouth	Peer Average	Difference
Students Educated (FTE)	2,142.94	2,418.97	(276.03)
Central Office Administrative Staff (per 1,000)	3.50	3.26	0.24
Building Level Administrative Staff (per 1,000)	2.34	3.08	(0.74)
Total Administrative Staff (per 1,000)	5.84	6.34	(0.50)
<i>FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students</i>			<i>1.1</i>

Source: Portsmouth CSD and ODE

As shown in **Table 2-4**, Portsmouth CSD has more central administrative staff per 1,000 students than the peer average. In order to be consistent with the peer average, the District would need to eliminate 1.0 FTE administrative position.

Without a formal staffing plan that helps the District determine appropriate staffing levels, the District continues to be overstaffed and incur personnel-related expenditures that are not

necessary.

Financial Implication: If the District eliminates 1.0 administrative staff FTE, it will save approximately \$107,000 in salaries and benefits.

R2.4 Eliminate 2.0 FTE library staff to bring staffing in line with the peer average.

Portsmouth CSD should eliminate 2.0 FTE library staff positions to reduce salary and benefit costs and bring its library staffing levels more in line with the peer average.

Portsmouth CSD employs both librarians and library aides. The District employs a total of 5.3 FTE library staff in 3 school buildings. Each building has nearly 2.0 FTE library staff. This high level of staffing adds to overall ESP numbers and represents an increased cost to the District.

According to OAC 3301-35-05, school librarians are considered education service personnel (ESP). **Table 2-5** compares library staffing levels at Portsmouth CSD to the peer district average for FY 2009-10.

Table 2-5: Library Staff Comparison

Full-time Equivalent (FTE) Staff			
	Portsmouth	Peer Average	Difference
Librarians (FTE)	2.00	1.53	0.47
Library Aides (FTE)	3.30	1.50	1.80
Total Library Staff (FTE)	5.30	3.03	2.27
FTE Staff per 1,000 Students			
	Portsmouth	Peer Average	Difference
Students Educated (FTE)	2,142.94	2,418.97	(276.03)
Librarians (per 1,000)	0.93	0.64	0.29
Library Aides (per 1,000)	1.54	0.77	0.77
Total Library Staff (per 1,000)	2.47	1.41	1.06
<i>FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students</i>			<i>(2.3)</i>

Source: Portsmouth CSD and ODE

As shown in **Table 2-5**, Portsmouth CSD has more librarians and more library aides per 1,000 students than the peer average. In order to be more consistent with the peer average, the District would need to eliminate 2.0 FTE library staff positions.

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

A reduction in library positions would provide Portsmouth CSD with additional General Fund resources to help offset future year deficits.

Financial Implication: Eliminating 2.0 FTE library positions would save the District approximately \$57,000 annually in salary and benefit costs.

R2.5 Eliminate 1.0 FTE nursing position to bring staffing in line with the peer average.

Portsmouth CSD should consider eliminating 1.0 FTE nursing position (nurse aide) to reduce salary and benefit costs and bring its nurse staffing levels more in line with the peer average.

Portsmouth CSD employs both registered nurses and health aides. The District employs 3.3 FTE nursing staff in 3 school buildings, so each building is staffed by a nurse more than 100 percent of the time.

According to OAC 3301-35-05, registered school nurses are considered ESP. **Table 2-6** compares total nursing positions at Portsmouth CSD to the peer district average for FY 2009-10.

Table 2-6: Nursing Staff Comparison

Full-time Equivalent (FTE) Staff			
	Portsmouth	Peer Average	Difference
Registered Nurse (FTE)	1.00	1.53	(0.53)
Health Aide (FTE)	2.30	0.70	1.60
Total Nursing Staff (FTE)	3.30	2.23	1.07
FTE Staff per 1,000 Students			
	Portsmouth	Peer Average	Difference
Students Educated (FTE)	2,142.94	2,418.97	(276.03)
Registered Nurse (per 1,000)	0.47	0.64	(0.17)
Health Aides (per 1,000)	1.07	0.25	0.82
Total Nursing Staff (per 1,000)	1.54	0.89	0.65
<i>FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students</i>			<i>(1.4)</i>

Source: Portsmouth CSD and ODE

Note: Totals may vary due to rounding.

As shown in **Table 2-6**, Portsmouth CSD has more registered nurses and health aides per 1,000 students than the peer average. In order to be consistent with the peers, the District would need to eliminate 1.0 FTE nursing position.

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

Financial Implication: Eliminating 1.0 FTE nursing position would save the District approximately \$28,000 annually in salary and benefit costs.

R2.6 Examine special needs staffing and link staffing levels to the District's staffing plan.

The District should perform a review of its special needs program and the deployment of staff to determine if there are opportunities to provide more effective staffing while still meeting the needs of students with disabilities. The District's IEP process should also be

reviewed and updated to determine if services that are provided individually are cost-effective. The special needs staffing should also be linked to the District's staffing plan.

The District uses fewer special needs teaching staff and more assistive personnel to deliver its special needs services than the peers. Although the District uses aides and paraprofessionals, it should have a staffing plan and procedures that provide adequate guidance when determining its program staffing design. The District should review its IEP process and revise IEPs in order to meet current research findings when determining appropriate services for its students with disabilities. A similar recommendation was made during the 2002 performance audit.

According to *The Tip of the Iceberg* (Association for Persons with Severe Handicaps, 1999), the involvement of paraprofessionals may be a crucial support that allows a student with intensive support needs to be educated in a general education classroom or school, rather than be placed in more restrictive settings. Although the assignment of an individual paraprofessional is intended to be a benevolent, supportive action, it can have inadvertent detrimental effects on students with disabilities if the decision is not carefully made, implemented, and evaluated. Recent research has suggested that the assignment of a paraprofessional can interfere with other students and teachers. The article suggests the following guidelines for deciding whether or not to provide paraprofessional support:

- Rely on collaborative teamwork;
- Build capacity in the school to support all students;
- Consider paraprofessional supports individually and judiciously;
- Seek a match between identified support needs and the skills of the person to provide the supports;
- Explore opportunities for natural supports;
- Consider school and classroom characteristics;
- Consider special educator and related services caseloads;
- Explore administrative and organizational changes; and
- Consider if paraprofessional support is a temporary measure.

Without guidelines for special education staffing or a formal staffing plan that includes special education personnel, the District risks ineffective and inefficient staff deployment to serve its students with special needs.

R2.7 Renegotiate salary schedules and implement a pay freeze.

Portsmouth CSD should review its salary schedules and negotiate to reduce its step schedules to levels similar to the surrounding districts' pay scales for both certificated and classified staff. In order to address its fiscal deficit, the District should implement a cost of living pay freeze during the contract re-opener in FY 2012-13. Reducing the salary schedules to the peer averages will help Portsmouth CSD ensure it is providing adequate compensation to remain competitive when attracting new employees without placing unnecessary strain on its finances.

Portsmouth CSD has historically negotiated annual cost of living increases for certificated and

classified staff in addition to its step schedules. The structure of step increases throughout the schedules results in a higher than average salary over a 30-year period of employment. The salary schedule for teachers with master's degrees is approximately 3.2 percent higher than the surrounding district average. The maintenance staff's salary schedule shows a starting rate that is \$2.99 per hour more than the surrounding district average and an ending rate of \$1.09 more than the surrounding districts. The grounds keeping staff's salary schedule is similar to the maintenance salaries with a higher starting and ending rates.

The collective bargaining agreement with teacher's is in effect until June 30, 2013. A base salary increase of 2 percent will be effective July 1, 2011, with a salary re-opener during FY 2012-13. According to the classified collective bargaining agreement, in addition to the 2 percent increase, salaries for FY 2010-11 will also be increased through an equity salary adjustment of \$500 for full-time and \$300 for part-time classified staff.

Salary schedules for Portsmouth CSD employees were compared with salary schedules of the regional peer districts (Green LSD, Northwest LSD, and Washington Nile LSD). Starting wages and step increases throughout the salary schedule were analyzed by comparing rates at each year of employment though 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)
- Custodians;
- Maintenance;
- Grounds Keepers;
- Food Service Workers; and
- Bus Drivers.

The impact of the variance in salary schedules is most notable when viewed over an employee's career at the District. For example, a master's degree teacher employed at Portsmouth CSD under the District's current salary schedule would earn an additional \$87,000 over 30 years when compared to the regional peer average. Likewise, a maintenance worker could earn an additional \$133,000 and groundskeeper \$70,000 more than surrounding district employees.

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 the inability to negotiate a salary schedule that is in the best interests of the taxpayers while providing a competitive salary.

The adjustment of employee salary schedules can be difficult because they are specified in the District's negotiated agreements. However, Portsmouth CSD should consider options including negotiating 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. Further, the District should negotiate a freeze on cost of living increases to help balance the budget.

If successful in renegotiating step schedules or implementing new schedules for all future

employees, Portsmouth CSD can remain competitive while providing compensation at a level more in line with the District's ability to pay.

Financial Implication: If the District can negotiate a freeze in the cost of living increase for both certificated and classified staff, it could save approximately \$197,000 based on 2 percent of its projected salaries for FY 2011-12.

R2.8 Reduce the direct costs of health insurance and implement a 15 percent cost sharing arrangement.

Portsmouth CSD should implement cost saving strategies in order to reduce the costs of health insurance for its employees. The District should continually monitor its claims experience and the success of wellness programs. It should impress upon its staff the need to actively participate in wellness programs and provide education about controlling the costs of insurance. Lastly, the District should consider renegotiating its bargaining agreement language in the next round of negotiations. It should seek less restrictive language that allows more management flexibility in providing insurance, increases employee cost sharing, and discontinues the third insurance premium holiday.

Portsmouth CSD has high health insurance premiums. Compared to the surrounding districts average in south-central Ohio, the health insurance premiums are 39.9 percent higher for a single plan and 49.6 percent higher for a family plan. The single plan cost approximately \$777.00 and the family plan cost was \$1,885.00 per month during FY 2009-10. During FY 2010-11, the insurance premiums did not increase significantly; however, compared to the average, premiums continue to be much higher than the peers.

Additionally, the premium for the District's family plans for vision and dental insurance provided to certificated staff is higher than the median premium cost by 24.5 and 18.7 percent, respectively. The District's claims have been historically high and its Insurance Committee has been working to mitigate an increase in insurance claims by developing wellness programs. The claims for FY 2009-10 were approximately 85 percent of the total premiums paid and the overall cost of insurance for the District was approximately \$3,886,000.

In addition to the District's premiums, the collective bargaining agreements have an impact on the cost of insurance. First, each contract stipulates a certain premium cost sharing percentage for the certificated and classified staff units. During FY 2009-10, the certificated staff contributed 7 percent toward premiums and classified staff contributed 4 percent. The FY 2010-13 certificated bargaining agreement has been modified to increase the employee cost sharing to 8 percent from 7 percent. The classified agreement is anticipated to remain at 4 percent. This is below the State average cost sharing of about 14 percent.

Portsmouth CSD is the only district in Scioto County that is not a participant in the county's insurance consortium. Furthermore, the collective bargaining agreements contain restrictive language that requires the District to maintain either the same level of health benefits or better if it changes providers. Higher benefit levels contribute directly to higher premium costs. Lastly, if premiums increase by 3 percent or less, the agreement provides an additional insurance holiday

for employees and the District covers the employee's premium share. This is an additional cost to the District.

The 2002 performance audit recommended that the District discontinue placing set dollar amounts for employee contributions toward insurance premiums. While it changed to a percentage basis it did not implement the recommendation to take steps to reduce healthcare costs. Suggested steps included establishing a maximum amount the District pays for healthcare and requiring the employee to pay the difference, raising the employee contribution to 10 percent, joining a consortium, and negotiating less costly plans.

According to the School Employees Health Care Board (SEHCB), the average cost for health insurance in Scioto County is \$520 for a single plan and \$1,347 for a family plan. The lowest average for employee cost sharing is 10 percent for school districts. According to the Kaiser Family Foundation's Employer Health Benefits 2010 Summary of Findings, the national cost sharing median is 19 percent for single plans and up to 30 percent for a family PPO plan.

By providing the same level of health insurance benefits under its collective bargaining agreement and accepting a lower than average cost sharing percentage, the District is not able to achieve cost savings for health insurance without violating its bargaining agreement. Therefore, renegotiating its contract language will be necessary for the District to provide insurance at a more competitive rate and reduce health insurance costs. If the District is able to monitor its claims use and gain more employee buy-in to reduce claims, the insurance premiums can be reduced to a more competitive level.

Financial Implication: If the District negotiates a 15 percent cost sharing with its employees, it can save \$349,000 annually.

R2.9 Renegotiate costly contract provisions.

Portsmouth CSD should strengthen its collective bargaining process and use examples from other contracts and the Ohio Revised Code requirements during contract negotiations. It should renegotiate contract provisions in both the certificated and classified bargaining agreements that exceed statutory requirements and are outside the contract norms provided by other districts. Lastly, the District should carefully consider the long-term impact on its budget when negotiating contract provisions that have a financial cost, including staffing hours, salaries, benefits, and leave incentives. Moreover, the District should communicate these additional costs to the bargaining units in order ensure they are aware of the financial impact of contract provisions.

The District's bargaining process is stipulated in the contract and requires the use of a negotiating team and observers. Despite this required process, Portsmouth CSD continues to negotiate costly provisions that are detrimental to the District. Moreover, provisions that are unnecessary and exceed State minimums create an environment of entitlement for employees rather than a motivation to meet District goals. Beyond salaries and health insurance, the collective bargaining agreements have other provisions that exceed the norm for surrounding districts and State requirements. The certificated agreement has the following unusual provisions:

- Longevity incentive steps for supplemental contracts based on tenure with the District;
- Sick leave provision allows up to 240 days of accumulation and a severance payout at retirement of 1/4 of up to 228 days of sick leave at the employee's latest daily rate;
- Additional 8 days or 2 days of severance (1/4 of 8 days) will be rewarded if employee accumulated 228 sick days;
- Unused personal leave days are converted to sick leave days or, if the bargaining unit members have accumulated 175 days of sick leave, they have the option of receiving a bonus payment of \$50 per personal leave day.;
- Annual bank of 120 paid professional leave days, 20 of these days being for the Association representatives to attend Association governance events. If the bank is exhausted, teachers may be granted additional professional leave upon approval. (The 2002 performance audit recommended that the District perform an analysis to determine the benefit of professional leave because the teachers used 1.7 more professional days than the peers at the time.)

The classified contract contains the following unusual provisions:

- Employees are considered full-time if they work six (6) or more hours for five days a week and have served at least 120 days in a school year;
- Employees who work less than six (6) hours for a five day work week and serve at least 120 days in a school year shall be eligible for one year of longevity on the next pay step;
- Each full-time member (six hours per day or more) shall accumulate 15 days of sick leave each year and may accumulate 224 days of sick leave. Part time members accrue at a proportional scale;
- Work performed on holidays shall be compensated at the rate of double time, for the time worked, plus the holiday pay;
- For emergency call-out, an employee is guaranteed a minimum of 3 hours work at the proper overtime rate;
- Scheduled overtime for the purpose of checking the heat in the building is paid the overtime rate;
- Double time will be paid for any emergency call out work;
- Twelve month employees receive 11 paid holidays and less than 12 month employees receive 10, including President's Day and Good Friday (except when school is in session);
- When school is in session on Good Friday, this day is not considered a holiday, but each employee that works will be paid double time for the day;
- All classified employees who work less than 12 months per year shall receive 5 additional days pay in lieu of vacation pay; and
- Employees who work on calamity days shall receive 1 personal day for each full day worked during the calamity.

ORC § 3319.141 states the following:

- Each person who is employed by any board of education in this state shall be entitled to fifteen days sick leave with pay, for each year under contract, which shall be credited at

the rate of one and one-fourth days per month.

- School employees can accrue up to 120 sick leave days. More can be approved by the local board of education.
- A board of education shall require a teacher or non-teaching school employee to furnish a written, signed statement on forms prescribed by such board to justify the use of sick leave. If medical attention is required, the employee's statement shall list the name and address of the attending physician and the dates when he was consulted. Falsification of a statement is grounds for suspension or termination of employment.

According to ORC § 124.39, if an individual retires from active service with ten or more years of service with the state, they are entitled to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit up to a maximum of 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of thirty days of the employee's unused sick leave, or allowing the number of years of service to be less than ten.

According to ORC § 3319.142, each board of education shall adopt rules entitling regular non-teaching employees, during each school year, to a minimum of three days of personal leave at the employee's regular compensation. The rules shall govern the use and administration of personal leave, but they need not specify each occasion or purpose for which personal leave may be taken.

ORC § 3319.086 states that forty hours is the standard work week for all non-teaching school employees.

Finally, ORC § 3319.087 states that all regular non-teaching school employees are entitled to the following holidays:

- Eleven or twelve month employees: New Year's day, Martin Luther King day, Memorial day, Independence day, Labor day, Thanksgiving day, and Christmas day.
- Nine or ten month employees: New Year's day, Martin Luther King day, Memorial day, Labor day, Thanksgiving day, and Christmas day.
- Less than nine month employees: shall be entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment.

Lastly, there is no Ohio Revised Code section that requires professional leave for teachers or a professional leave bank.

In a review of two surrounding districts, there were no provisions for a supplemental pay incentive based on tenure or extra severance time if an employee had met a sick leave accrual milestone. The contracts also do not include personal leave bonuses or attendance incentives. Both surrounding districts provide professional leave only through a written request and approval process. The review of surrounding districts' classified contracts revealed most provisions approved by Portsmouth CSD are not found in the peer contracts. The surrounding districts consider full-time positions to be 40 hour per week employees. Both provide 2 hours of

call in time at the employee's regular pay and do not pay double time for any calamity work or other special provisions.

Unnecessary provisions that are included in collective bargaining agreements are costly to the District. Moreover, these provisions may contribute additional fiscal strain and do not contribute to achievement of the District's goal of providing a proper education to students.

R2.10 Reduce sick leave use by implementing recommended practices and reduce the total cost of substitute employees.

Portsmouth CSD should take steps to reduce the amount of sick leave used by staff in order to reduce the costs of employee absenteeism. The District should implement a policy to help mitigate the use of sick leave and increase productivity. Additionally, the District should seek to avoid the costs of leave and the costs associated with making payments to substitutes needed to continue the District's daily operations. The District, as part of its sick leave abuse policy, should establish a building attendance report system that is similar to the practice of Lakota Local School District.

When compared to the DAS average, FY 2009-10 sick hours used by the Portsmouth CSD AFSCME and OEA bargaining units were significantly higher. The certificated staff took approximately 33 percent more sick leave than the State average on a per employee basis. The variance was even greater for classified staff, as these employees took approximately 44.5 percent more sick leave than the State average. During FY 2009-10, the District's classified staff took 1,000 sick days and certificated staff used 2,012 sick days, however, there were two employees with long-term illnesses that increased the sick leave use for certificated staff. It is important to note that DAS does not extract major illness occurrences from the State average; therefore, it can be assumed that leave taken for major illnesses is included in this average. When extracting the leave time used for major illnesses from total sick leave, the District's rate of consumption remains higher than the State average—23.5 percent higher for classified staff and 21.6 percent higher for certificated staff.

During FY 2009-10, the District paid approximately \$289,000 in substitute costs. The District paid a total of \$171,600 for substitute teachers and \$75,200 for classified substitutes in salaries alone. The District established a perfect attendance incentive in its bargaining agreement for FY 2005-07 to help reduce leave use. Although some employees take advantage of the incentive, it has not had a significant impact on the amount of leave use. In fact, an increase in leave use has occurred. From FY 2005-2007 to FY 2008-09, sick leave use increased by approximately 16.6 percent among certificated personnel and 64.2 percent among classified personnel.

The State of Ohio has collective bargaining agreements with the State Council of Professional Educators, Ohio Education Association (SCOPE) and the Ohio Civil Service Employees Association (OCSEA), Local 11. Both of these collective bargaining agreements (2003-2006) with the State of Ohio contain provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;

- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

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

The article "Sick Leave Abuse: A Chronic Workplace Ill?" notes that determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues.

Methods for monitoring sick leave abuse vary from one organization to another, but the following presents common guidelines all employers can follow to manage sick leave effectively.

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

Lakota Local School District has incorporated a building level attendance report that continually tracks and monitors employee attendance by building. This enables the District to consistently monitor leave use in each building and helps identify areas in which leave abuse could occur.

The 2002 performance audit included recommendations to reduce sick leave and perform a cost benefit analysis to determine the effectiveness of leave use incentives. These recommendations were not implemented.

A high rate of sick leave use requires the District to pay more in substitute salaries and benefits in order to continue school operations. Adopting and enforcing a policy that address sick leave abuse will help the District avoid the costs of substitutes.

Financial Implication: If the District could reduce sick leave use to the State average it could save at least \$55,000 annually in substitute salaries.

Facilities

Background

This section of the audit focuses on the maintenance and operations (M&O) of facilities in Portsmouth CSD (the District), including assessments of staffing levels, planning, expenditures, policies, and operating procedures. The District's operations were evaluated and compared to leading practices, operational standards, and selected peer districts (see **executive summary** for list of 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.

Buildings

Portsmouth CSD has three school buildings plus an administrative building, a maintenance building, an old gymnasium, and an athletic complex. The District does not own or operate any modular units. The elementary schools, Portsmouth Elementary built in 2006 and East Portsmouth Elementary built in 2005, house students in grades kindergarten through 4.

Portsmouth Junior High/High School, built in 2006, houses both the intermediate school for grades 5 and 6, and the high school for grades 7 through 12. The administrative/central office building was built in 2010; the maintenance building was built in 2008; and the gymnasium was built in 1963. Due to the newness of the buildings and the stagnation of student population growth, the District is reluctant to prepare its own enrollment projections.

Staffing

Portsmouth CSD's Facilities Coordinator supervises all M&O functions and directly oversees the custodial and maintenance staff. Each building has a head custodian who is in charge of the other custodians at that site. There are 17 full-time custodial staff, including 3 custodian III/Grounds/Rover staff, and 2 maintenance staff, all of whom are 12 month employees. The District also has four substitute custodians who are called in to work when regular employees are absent. The custodian III/Grounds/Rover staff and maintenance staff are also responsible for grass mowing, snow removal in parking lots, salt spreading, athletic field mowing, shrub/tree trimming, and chemical application for weeds.

Custodial staff are responsible for the following duties:

- Cleaning all assigned areas;
- Minor maintenance duties;
- Snow/ice removal on sidewalks and areas near buildings;
- Loading/unloading supplies

- Assist maintenance staff if needed;
- Make preparations for school sponsored indoor or outdoor activities as directed;
- Empty and clean waste receptacles, trash pails, and pencil sharpeners daily;
- Remove writing on walls immediately and cob webs daily,
- Set up and take down of equipment for all events; and
- Other duties as assigned.

All maintenance workers report to the Facilities Coordinator and must have experience with HVAC systems, plumbing, or electrical systems, and have a general aptitude for maintenance duties.

Facilities Expenditures

Table 3-1 displays Portsmouth CSD's facilities expenditures for FY 2007-08 through FY 2009-10.

Table 3-1: Historical Facilities (M&O) Expenditures

Object of Expenditure	FY 2007-08	FY 2008-09	Percent Change	FY 2009-10	Percent Change	Percent Change vs. FY 2007-08
Personnel Services	\$800,786.4	\$816,530.6	2.0%	\$855,060.4	4.7%	6.8%
Retirement & Insurance Benefits	\$573,832.2	\$568,540.5	(0.9%)	\$587,596.4	3.4%	2.4%
Purchased Services (Excl. Utilities)	\$118,665.7	\$190,447.4	60.5%	\$249,347.6	30.9%	110.1%
Utilities	\$794,050.6	\$882,543.7	11.1%	\$886,143.8	0.4%	11.6%
- Electric	\$419,981.3	\$494,095.5	17.6%	\$543,273.8	10.0%	29.4%
- Water & Sewage	\$18,046.9	\$16,439.3	(8.9%)	\$18,502.8	12.6%	2.5%
- Gas	\$355,505.2	\$372,008.9	4.6%	\$323,486.4	(13.0%)	(9.0%)
Supplies and Materials	\$178,906.3	\$153,051.1	(14.5%)	\$166,566.7	8.8%	(6.9%)
Capital Outlay	\$27,221.1	\$45,533	67.3%	\$30,892.5	(32.2%)	13.5%
Total	\$2,493,462.3	\$2,656,646.2	6.5%	\$2,775,607.4	4.5%	11.3%

Source: ODE Expenditure Flow Model.

As shown in **Table 3-1**, Portsmouth CSD's facility expenditures have increased 11.3 percent in the three year period shown and every cost category shows a significant increase with the exception supplies and materials and natural gas expenditures. The primary drivers of the increase in facility expenditures were a 6.8 percent increase in personnel services and a 110.1 percent increase in purchased services. **Table 3-2** breaks down total facilities expenditures on a per square foot basis in comparison to the peer average.

Table 3-2: FY 2009-10 Expenditures Per Square Foot

Object of Expenditure	Portsmouth CSD Expenditures per Sq. Ft.	Peer Average Expenditures per Sq. Ft.	Difference per Sq. Ft.	Percent Difference
Personnel Services	\$2.16	\$2.23	(\$0.07)	(3.1%)
Retirement and Insurance Benefits	\$1.49	\$0.99	\$0.50	49.7%
Purchased Services (Excl. Utilities)	\$0.63	\$0.71	(\$0.08)	(11.3%)
Utilities	\$2.24	\$1.58	\$0.66	41.8%
451 – Electric	\$1.37	\$0.99	\$0.38	38.4%
452 - Water & Sewage	\$0.05	\$0.11	(\$0.06)	(54.5%)
453 – Gas	\$0.82	\$0.48	\$0.34	70.8%
Supplies & Materials	\$0.42	\$0.59	(\$0.17)	(28.8%)
Capital Outlay & Other Objects	\$0.08	\$0.26	(\$0.18)	(69.2%)
Total Expenditures	\$7.02	\$6.36	\$0.66	10.4%

Source: ODE Expenditure Flow Model and Education Management Information System

As shown in **Table 3-2**, Portsmouth CSD facilities costs per square foot in FY 2009-10 were \$7.02, exceeding the peer average by 10.4 percent.

In contrast, the AS&U national median for facility costs in FY 2009-10 was \$4.42 per square foot. Utilities expenditures were the highest on a per square foot basis in comparison to the peers (see **R3.2**).

Recommendations

R3.1 Reduce employee retirement and insurance benefits (ERIB), purchased services and utility costs to the General Fund and charge appropriate expenditures to the Food Service Fund.

Portsmouth CSD should reduce its expenditures for retirement and insurance benefits, purchased services, and utilities by implementing recommendations in this report to lower personnel and benefit costs, and reduce utilities expenditures. The District should also change how it accounts for equipment repairs associated with the food service operation and athletics so the dollars are not categorized as facility costs. By using different function codes in the accounting system, the District could more accurately reflect the equipment costs for food service and extracurricular activities, and avoid overstating purchased service expenditures attributable to facilities.

Additionally, Portsmouth CSD should consider charging a portion of its utility costs to the food service operation. The recommended accounting and budgeting changes would provide the District with a better understanding of the true cost of operations in these areas.

As shown in **Table 3-2** Portsmouth CSD's retirement and insurance benefit expenditures and utilities on a per square foot basis were approximately \$0.50 and \$0.66 higher respectively than the peer average in FY 2009-10. Higher than average personnel and benefits costs are discussed in **human resources**. During the course of the audit, the Treasurer informed auditors that equipment repairs for the food service program and athletic teams were charged to the purchased service line for facilities. Auditors also determined the District does not charge the food service operation for utilities. High utility costs are addressed in **R3.2**. In total, the peer average facilities expenditures per square foot were \$0.66 less than Portsmouth CSD in FY 2009-10.

Measuring the Cost of Government Services (GFOA, 2002), suggests governments should measure the full cost of their services. For the food service operation, ORC 3313.81 emphasizes the need for this practice by stating: "All receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes shall be paid directly into and disbursed from the food service fund which shall be kept in a legally designated depository of the board."

By coding food service and athletic equipment repairs to facilities, the District is overstating its costs for purchased services related to facilities. Moreover, by failing to charge the food service fund for a portion of utilities expenses, it is understating the true cost of food service operations. If Portsmouth CSD changed how it codes certain facility and repair expenditures and implements related recommendations about personnel, benefit, and utility costs, it could reduce its facility costs and provide better cost information to decision makers.

R3.2 Establish a formal energy management policy to reduce the cost of utilities.

Portsmouth CSD should establish, implement and enforce a written energy management policy and procedures to reflect and recognize specific activities used to control energy costs. The District should also implement leading practice energy conservation education programs for faculty, staff, and students. Having a formal energy conservation policy and educational program would help the District further reduce energy costs.

The District does not have a formal written energy policy and the Board lacks detailed formal policies and guidelines for energy conservation. Furthermore, the District does not have a formal educational plan to train staff and students in energy conservation. However, the District prohibits school employees and students from using space heaters in classrooms and offices.

Portsmouth CSD uses a remote management HVAC energy system to control building temperatures, set occupied/unoccupied temperatures, and manage times for the HVAC system to start up for the school day and shut down after hours. The District installed the HVAC energy management system to reduce and control heat and air conditioner use and lower its utility costs. Portsmouth CSD employs an HVAC Coordinator who is responsible for all HVAC related issues in the District, including operating the remote management system. The HVAC system is checked on a daily basis for any alarms, and adjustments are made as necessary.

The District purchases utilities through consortia and power sales agreements. According to the District, it also tracks energy usage and costs by month and by building. The energy tracking program was set up for the District by the City of Portsmouth's Fire Department and posted in each classroom in the schools. Each building has its own budget, including utilities, so tracking the costs and usage is easily done. The District tracks electric, gas, water/sewer, trash, fleet fuel, communications, grounds care costs by building.

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

- Establish an energy policy with specific goals and objectives;
- Assign someone to be responsible for the district's energy management program, and give this energy manager access to top-level administrators;
- Monitor each building's energy use;
- Conduct energy audits in all buildings to identify energy-inefficient units;
- Institute performance contracting when replacing older, energy-inefficient equipment;
- Reward schools that decrease their energy use;
- Install energy-efficient equipment, including power factor correction units, electronic ballasts, 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.

According to *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004), a successful maintenance and operations program will typically achieve savings of between \$0.06 and \$0.30 per square foot in annual utility costs,

depending on the program type, aggressiveness of changes, the state of current maintenance and operations practices, and the conditions of plants. First year costs may be somewhat higher if the district purchases software or program equipment or contracts for initial consulting assistance. Costs will be less if substantial assistance is provided by utilities or other parties.

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 NCEES and U.S. Department of Energy publications, but also included several other leading practices. Some of the stipulations of the policy that exceed recommended practices include the following:

- Controlling temperatures within the range of 74-78 degrees during summer and 68-72 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 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.

The energy conservation program at Westerville CSD resulted in a \$1.1 million cost avoidance for FY 2007-08 through the use of HVAC technology to decrease costs for unoccupied building times. Fifth grade students from Amherst elementary also hosted an energy awareness fair for students and parents. The District de-lamped many of the vending machines, instituted transitional lighting whereby custodians only turn on lights in the area they are working, and limited heating and cooling during the night, holidays, and summer months.

By establishing energy management policies and administrative guidelines, and formalizing its practices, Portsmouth CSD can ensure the policies and administrative guidelines reflect all of the practices in place that promote energy conservation and attempt to control costs.

R3.3 Reduce overtime usage.

Portsmouth CSD should continue to decrease overtime expenditures and strive to bring overtime costs more in line with the peer district average. In order to reduce overtime costs, the District should consider flexible scheduling to reduce the need for overtime and charge the departments or organizations using facilities after normal business hours for the overtime incurred.

Table 3-2 shows M&O Department overtime as a percent of regular salaries for FY 2007-08 through FY 2009-10.

Table 3-3: Historical Overtime Costs

	FY 2007-08	FY 2008-09	FY 2009-10	Three-Year Average
Overtime Costs	\$61,671	\$55,785	\$62,314	\$59,923
Regular Salaries	\$678,014	\$720,469	\$754,228	\$717,570
Overtime as % of Regular Salaries	9.0%	8.0%	8.0%	8.3%

Source: ODE Expenditure Flow Model.

As shown in **Table 3-3**, overtime as a percentage of salaries declined slightly in 2008-09, however it remained high in FY 2009-10 at 8 percent. According to the Facilities Coordinator, all overtime is tied to an event, such as a snow storm, equipment failure, or school activity. All overtime use is approved by the Facilities Coordinator. Additionally, the District does not rotate overtime, but rather, when an extracurricular event is scheduled at a particular building, the custodians assigned to that site are the only staff eligible to work the event and the assignment is based on seniority. For maintenance staff, overtime results from emergency situations requiring a particular set of skills to address the problem. Therefore, only the maintenance staff member who had the needed skill set would be eligible for the overtime. In addition, staff schedules are staggered to help alleviate the need for overtime, especially if a snow storm is forecasted. For example, the night custodians may stay two hours later and the first shift custodians may arrive two hours early in order to prepare the sidewalks and building for the school day.

According to *Best Practices: Maximizing Maintenance* (2003), overtime should make up less than 2 percent of total maintenance time. The average percent of overtime for the peer districts in FY 2009-10 was 6 percent of salary costs which was 2 percentage points less than the District's 8 percent.

Reducing overtime would help Portsmouth CSD reduce its overall M&O salary costs and allow it to redirect these funds into other activities. Better management of overtime would also reduce the total costs of facility management (see **R3.2**).

Financial Implication: If the District was able to reduce overtime to the 2 percent benchmark, it could save approximately \$47,000 based on FY 2009-10 M&O salaries. Reducing overtime to the peer average would reduce overtime costs by \$25,000.

Transportation

Background

This section of the performance audit focuses on Portsmouth City School District's transportation operations. Transportation operations were evaluated in comparison to 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. The peers were selected from districts whose transportation environment is most similar to Portsmouth CSD's in terms of district size, population density, and other demographic factors. These are discussed in greater detail in the *scope and methodology* portion of the **executive summary**. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), Government Finance Officers' Association (GFOA), National Association of State Directors of Pupil Transportation Services (NASDPTS), and other school transportation departments.

Transportation Policy

The Ohio Revised Code (ORC) 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight (K-8) 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 their own students. In addition, districts must provide transportation to disabled students who are unable to walk to school, regardless of distance. Finally, when required by an individualized education program (IEP), districts must provide specialized, door-to-door transportation for special needs students based on the unique needs of the student.

The District's policies outline the established service levels provided by its transportation operations. Portsmouth CSD's transportation policy requires the District to provide transportation for resident elementary students, kindergarten through eighth grade, who live more than two miles from school and for those students with disabilities that make walking impossible or unsafe. Students who are physically challenged and are unable to walk to school must be provided transportation, regardless of the distance from school. The policy also states that the District may choose to transport students who are attending high school, but it is not required to do so.

Transportation Operations

Portsmouth CSD offers Type I yellow bus transportation, using Board-owned and operated buses to transport regular and special needs student riders. Portsmouth CSD used seven active and five spare buses to provide transportation services to students during FY 2009-10. Transportation is also provided to special education students who attend schools both within and outside of

Portsmouth CSD.

Portsmouth CSD provided transportation to 805 Type I (yellow bus) riders during FY 2009-10. Public, regular needs riders comprised 85.8 percent of all students transported on buses during FY 2009-10. Non-public and Community school riders comprised approximately 13.8 percent, and the remaining 0.4 percent were special needs riders. In addition, the District reported transporting one student under Privately Owned, other vehicles (Type V1) transportation method during FY 2009-10.

Since 2006-07, Portsmouth CSD experienced decreases in yellow bus ridership of about 12 percent. Public ridership has decreased by 26.5 percent over the three year period from FY 2006-07 through FY 2008-09. However, it showed a slight increase of 2.4 percent in FY 2009-10. Over the same period, community school ridership has increased about 4 percent, though this increase was marked by large swings in ridership. Because of the declines in ridership, the District has tried to improve the efficiency of its fleet, resulting in a significant increase in daily miles.

In FY 2009-10, the Transportation Department consisted of a total of nine employees, including seven bus drivers, one substitute driver, and one coordinator. The Transportation Coordinator is also the Secretary for both the Transportation Department and the Business/Maintenance Department, and sometimes serves as a substitute driver. The District contracts with a local vendor, Glockner Chevrolet, to service and maintain its buses; therefore, it does not have a mechanic on staff. According to the Coordinator, the number of transportation personnel in the District has not fluctuated in several years.

Operating Statistics

Table 4-1 compares the District's transportation statistics to the peer average for FY 2009-10.

Table 4-1: Pupil Transportation Key Operating Statistics

	Portsmouth CSD	Peer Average	Percent Above (Below)
Square Miles	16.0	11.2	42.9%
ODE Enrollment	2,163	2,409.8	(10.2%)
Total Students Transported (All Types)	805	1,065.2	(24.4%)
Total Yellow Bus Riders	805	1,049.4	(23.3%)
Regular Riders	802	992.4	(19.2%)
Public (Regular Needs)	691	949.8	(27.2%)
Non-Public	11	44.5 ¹	(75.3%)
Community (Regular Needs)	100	35.0 ¹	185.7%
Special Needs	3	95.0 ²	(96.8%)
Buses ³			
Regular Buses	7	12	(43.5%)
Special Needs Buses	0	1	(100.0%)
Active Buses	7	13	(47.0%)
Spare	5	4	38.9%
Miles			
Annual Routine Miles ⁴	104,580	127,584	(18.0%)
Operating Ratios			
Daily Miles per Rider	0.72	0.82	(11.9%)
Riders Per Square Mile	50.3	110.8	(54.6%)
Enrollment Per Square Mile	135.2	261.1	(48.2%)
Regular Riders Per Regular Bus	114.6	76.5	49.7%
Yellow Bus Riders Per Active Bus	115.0	76.1	51.2%
ODE Efficiency Ratio	1.7	1.1	57.1%
Routine Miles Per Active Bus	14,940	10,001.2	49.4%
Spare Bus Ratio	41.7%	21.7%	91.7%
Percent Public Riders	85.8%	90.9%	(5.6%)
Percent Special Needs Riders	0.4%	4.9%	(92.5%)
Percent Non-Public & Community School Riders	13.8%	4.2%	228.6%

Source: Portsmouth CSD and ODE

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

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

² Excludes peers that reported zero Type I and II special needs riders.

³ Includes Type I and II buses.

⁴ 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.

Compared to the peer average, Portsmouth CSD has a lower Average Daily Membership (ADM), or enrollment and at 16 square miles, is slightly larger geographically. However, Portsmouth CSD transports approximately 23.3 percent fewer yellow bus riders, which can be attributed, along with the lower overall enrollment, to the fact that the District does not offer transportation to all of its students. Overall Portsmouth CSD transports approximately 37.2 percent of its enrollment. The peers are similar in this regard, transporting an average of 44.2 percent of their overall student populations. The District also has a significantly smaller fleet which travels fewer total annual routine miles (18.0 percent), but travels significantly more annual routine miles (49.4 percent) per active bus than the peer average.

As **Table 4-1** shows, the regular ridership per bus at Portsmouth CSD (114.6) was approximately

49.7 percent greater than the peer average (76.5) in FY 2009-10. When special needs students are included, Portsmouth CSD’s riders per yellow bus increased to 115. The District’s ridership per square mile is significantly lower than that of the peer average by approximately 54.6 percent; however, its routine miles per bus are 49.4 percent higher than the peer average. The District has a rural geography 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 Coordinator, students may spend up to 40 minutes on the bus.

Table 4-2 compares Portsmouth CSD’s Type I (yellow bus) transportation expenditures to the peer averages. In FY 2009-10, Portsmouth CSD spent approximately \$491,710 to provide Type I pupil transportation services. Of this amount, the District received nearly 75 percent (\$369,535) in State reimbursement from ODE, about 33 percent above the peer average.

Table 4-2: Type I Pupil Transportation Expenditures Per Yellow Bus Rider

Expenditure Category (Per Rider)	Portsmouth CSD	Peer Average	Percent Above (Below)
Salaries	\$201.88	\$291.48	(30.7%)
Benefits ¹	\$200.65	\$170.91	17.4%
Maintenance and Repairs ²	\$61.98	\$110.36	(43.8%)
Fuel	\$54.26	\$65.33	(17.0%)
Bus Insurance	\$9.15	\$10.47	(12.7%)
All Other Costs	\$7.80	\$39.71	(80.4%)
Total Type I Expenditures	\$610.26	\$688.27	(11.3%)

Source: Portsmouth CSD and ODE

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

¹ Includes retirement, workers’ compensation, and employee insurance.

² Includes mechanic salaries, mechanic helper wages, maintenance and repairs, tires and tubes, and maintenance supplies.

As **Table 4-2** shows, on a per rider basis, Portsmouth CSD spends approximately 11.3 percent less than the peers overall. Only the District’s benefits costs are higher than the peer averages (see **human resources**).

Ridership and Cost Ratios

Table 4-3 shows the historical transportation cost ratios at Portsmouth CSD by category, based on ridership, buses, and mileage.

Table 4-3: Historical Transportation Cost Ratios (FY 2009-10)

	FY 2007-08	FY 2008-09	Change vs. Prior Year	FY 2009-10	Change vs. Prior Year	Change vs. Two Years Ago
Salaries	\$224,581.00	\$216,190.00	(3.7%)	\$185,125.00	(14.4%)	(17.6%)
Per Yellow Bus Rider	\$215.53	\$234.99	9.0%	\$201.88	(16.4%)	(6.3%)
Per Active Bus	\$28,072.63	\$27,023.75	(3.7%)	\$26,446.43	(2.2%)	(5.8%)
Per Routine Mile	\$2.53	\$2.00	(21.0%)	\$1.53	(30.8%)	(39.6%)
Benefits	\$198,078.00	\$195,989.00	(1.1%)	\$183,998.00	(6.5%)	(7.1%)
Per Yellow Bus Rider	\$190.09	\$213.03	12.1%	\$200.65	(6.2%)	5.6%
Per Active Bus	\$24,759.75	\$24,498.63	(1.1%)	\$26,285.43	6.8%	6.2%
Per Routine Mile	\$2.23	\$1.81	(18.8%)	\$1.52	(19.3%)	(32.0%)
Maintenance & Repairs ¹	\$64,730.00	\$59,291.00	(8.4%)	\$56,840.00	(4.3%)	(12.2%)
Per Yellow Bus Rider	\$62.12	\$64.45	3.7%	\$61.98	(4.0%)	(0.2%)
Per Active Bus	\$8,091.25	\$7,411.38	(8.4%)	\$8,120.00	8.7%	0.4%
Per Routine Mile	\$0.73	\$0.55	(24.9%)	\$0.47	(16.8%)	(35.7%)
Fuel	\$61,879.00	\$58,354.00	(5.7%)	\$49,754.00	(17.3%)	(19.6%)
Per Yellow Bus Rider	\$59.38	\$63.43	6.8%	\$54.26	(16.9%)	(8.6%)
Per Active Bus	\$7,734.88	\$7,294.25	(5.7%)	\$7,107.71	(2.6%)	(8.1%)
Per Routine Mile	\$0.70	\$0.54	(22.6%)	\$0.41	(31.3%)	(41.1%)
Bus Insurance	\$8,953.00	\$8,195.00	(8.5%)	\$8,388.00	2.3%	(6.3%)
Per Yellow Bus Rider	\$8.59	\$8.91	3.7%	\$9.15	2.6%	6.5%
Per Active Bus	\$1,119.13	\$1,024.38	(8.5%)	\$1,198.29	14.5%	7.1%
Per Routine Mile	\$0.10	\$0.08	(24.9%)	\$0.07	(9.4%)	(31.4%)
All Other Costs	\$6,182.00	\$2,340.00	(62.1%)	\$7,155.00	67.3%	15.7%
Per Yellow Bus Rider	\$5.93	\$2.54	(57.1%)	\$7.80	67.4%	31.5%
Per Active Bus	\$772.75	\$292.50	(62.1%)	\$1,022.14	71.4%	32.3%
Per Routine Mile	\$0.07	\$0.02	(69.0%)	\$0.06	63.4%	(15.2%)
Total Expenditures	\$564,403.00	\$540,359.00	(4.3%)	\$491,710.00	(10.0%)	(13.0%)
Per Yellow Bus Rider	\$541.65	\$587.35	8.4%	\$536.22	(9.6%)	(1.1%)
Per Active Bus	\$70,550.38	\$67,544.88	(4.3%)	\$70,244.29	3.8%	(0.5%)
Per Routine Mile	\$6.36	\$4.99	(21.5%)	\$4.06	(23.2%)	(36.2%)

Source: Portsmouth CSD's T-2 reports

Table 4-3 shows that overall, transportation expenditures decreased by approximately 4.3 percent in FY 2008-09, and decreased by 10 percent in FY 2009-10. Expenditures per rider and per mile also decreased, indicating improved transportation efficiency. It is significant to note, however, that the District's transportation reporting exhibited data reliability issues and may be inaccurate.

Fleet Management and Security

Portsmouth CSD allows most of its bus drivers to take buses home at end of each day. As a security measure, the District has established criteria to assure that prior to allowing a driver to

take a bus home, the driver must live within the City of Portsmouth, in a safe neighborhood and have reasonable parking space for the bus. If the District determines that a driver lives in a neighborhood that is considered unsafe for the bus, or lives further away from the District, he/she is not allowed to take the bus home at night. There are at least two such cases currently where bus drivers are not allowed to take the buses home at night because they do not meet the established criteria. Therefore, these two buses, as well as the spare buses are parked at the bus compound at end of the day.

The bus compound is located on private property and the District is allowed to use it at no cost. According to District staff, this property is owned by a local merchant. The bus compound is a vehicle garage, and is fenced-in with a lock. There are no other visible measures to ensure the security of the buses parked in the garage

Portsmouth CSD does not have a fuel inventory or a central fuel tank to allow bulk purchase of fuel. Instead, the District uses two British Petroleum (BP) fuel stations in the City of Portsmouth, and the Sunoco fuel stations in Sciotoville. The District has an agreement with these fuel vendors to provide fuel to all its vehicles as needed. However, the District does not have a written contract for fuel with either of these vendors and does not receive a discount.

Each bus is issued a BP fuel card for use at the BP stations and the bus drivers are authorized to use it to refill their fuel tanks on as needed basis. The drivers do not keep the fuel cards, rather the vendor fuel stations keep the cards so that each time a specific bus comes to get fuel, the driver is given the card for that particular bus to use at the fuel pump. Card use is also restricted by the use of a 4-digit PIN. Drivers also obtain a receipt showing how much fuel was purchased that is submitted to the Transportation Coordinator who subsequently transmits it to the Treasurer's Office Clerk.

At the Sunoco fuel stations, drivers must sign for fuel on the receipt to indicate that a specific bus received fuel from the station on a specific date for a certain amount. Then the driver obtains a copy of the receipt and submits it to the transportation coordinator who forwards it to the Treasurer's Office Clerk. The Clerk uses these receipts and those from the BP stations to reconcile all fuel purchase transactions.

Transaction reports are also generated on a regular basis to reconcile all fuel receipts received from drivers and the fuel invoices received from the fuel stations. These are used to track fuel usage. Although this reconciliation process is informal, it provides some level of monitoring of the District's fuel use. However, the District does not have a policy stating that employees are not allowed to use District's fuel for personal purposes.

Recommendations

R4.1 Update the transportation policy to reflect the level of service provided and key aspects of operations.

Portsmouth CSD should update its transportation policies so that all aspects of transportation operations are addressed and the Board's position on the level of transportation service to be provided to students is articulated. Furthermore, it should establish administrative guidelines that outline how policies will be implemented and how any exceptions to the levels of transportation service established in the policy will be granted.

In addition, if the District determines that it is cost effective to allow drivers to take buses home at night, the transportation policy should specify and authorize this practice. The administrative guidelines should also be used to determine when it is appropriate for drivers to take buses home and should document the cost benefits of this policy.

A similar recommendation was issued in the 2002 Performance Audit.

Portsmouth CSD transports every student in kindergarten through grade 12 who qualifies for and requests transportation. Portsmouth CSD's transportation policy requires the District to provide transportation for resident elementary students, kindergarten through eighth grade, who live more than two miles from school and for those students with disabilities that make walking impossible or unsafe. Students who are physically challenged and unable to walk to school must be provided transportation, regardless of the distance from school. The policy also states the District may chose to transport students who are attending high school, but it is not required to do so. In addition, nonpublic school students are also entitled to transportation on the same basis as public school students. This formal transportation policy aims to provide a safe, efficient, and economical method of getting students to and from school.

According to the Transportation Coordinator, transportation is also provided to students in K through six grade who live within one-half mile from their school, and those in grades 7 through 12 who live outside two miles from their schools. Furthermore, a review of the District's T-1 reports reveals that Portsmouth CSD actually transports some students who live within one mile of their assigned school, and all students in K though 12 grade who live beyond one mile from school. The T-1 reports show that approximately 760 of the 802 actual number of students transported during FY 2009-10 live either within, or just over one mile away from their school. This represents approximately 94.8 percent of Portsmouth CSD's total ridership for that school year.

According to the Association of School Business Officials International (*Key Legal Issues for Schools*, 2006), school board policies provide visible statements about the board's beliefs and actions regarding educational and managerial practices, and are the means through which boards plan their strategic directions. Policies should be adopted with a clear vision and strategies for achieving that vision and as a result, should be the basis for the actual practices as well as

resource decisions of a district.

Because the transportation policies are not regularly reviewed and updated, they may not reflect the actual practices of the District. The Board also may have omitted key elements because these were not considered important facets of transportation operations.

Policies that do not reflect the actual intent and practices of the District do not provide sufficient direction to administrators and may be subject to misinterpretation or misunderstanding by staff and members of the community. This could lead to an unintended expansion of the transportation function, inefficient operations, or confusion on the part of parents and administrators.

R4.2 Implement procedures to ensure accurate submission of T-form data to ODE.

Portsmouth CSD should develop and implement written procedures for completing, reconciling, and submitting transportation reports. The Transportation Coordinator and the Treasurer should verify that all expenditures and operational data reported on the T-1 and T-2 reports are consistent with ODE instructions. The Coordinator and Treasurer should also ensure that all expenditures reported on the T-2 are included and documentation is maintained to support the expenditures reported. Most importantly, the methodology for separating and allocating costs should be documented to ensure compliance and consistency in reporting transportation costs to ODE. Formal procedures that document the activities of all positions responsible for collecting and ensuring accurate reporting of this information will help ensure the reliability of the transportation data reported, as well as the continuity of the process and compliance with state requirements in the absence of employees with institutional knowledge.

Furthermore, the Treasurer should be trained to understand how the T-Forms (T-1 and T-2) are completed. In addition, he should assume the responsibility for completing all or part of the T-2 report. The District's Superintendent should also be trained to understand the T-Forms sufficiently to review them prior to signing and submitting them to ODE.

Each school district in Ohio is required to annually report to ODE detailed information about the its transportation operations to allow calculation of 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 some review and approval processes that include the Transportation Coordinator, Treasurer, and Superintendent, it 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 the 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. Furthermore, Portsmouth CSD depends solely on one individual, the Transportation Coordinator, to collect information, prepare the T-Forms, and review the forms.

The following errors were found on Portsmouth CSD's T- reports from FY 2006-07 through FY

2009-10:

- Reported payment of \$1,680 for transporting some student(s) under Type VI transportation (Privately Owned, Other Vehicles), but did not report the student count on T-1 for FY 2009-10;
- Reported payment of \$8,838 instead of \$8,388 on the FY 2009-10 T-2 for Bus Insurance;
- Reported transportation of 99 special education students on the T-2 for FY 2007-08, but reported 7 special education student(s) on the T-1 for the same year; and
- Reported transportation of 77 special education students on the T-2 for FY 2006-07, but reported only 2 special education student(s) on the T-1 for the same year.

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 made 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 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.

Informal processes for completing the T-report, coupled with a lack of training led to some of the errors noted above. The Transportation Coordinator is the only employee in the District that appears to have a good understanding of the T-Forms. She completes both the T-1 and T-2 Forms. Both the Treasurer and Superintendent are relatively new in their positions and have not taken the time to learn and understand the T-Forms. Several of the minor errors, such as the transposition of digits, could be prevented through a secondary review.

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 concerning how data is collected or how costs are allocated. This increases risks associated with misreporting and may result in a loss of the State reimbursement revenue for which Portsmouth CSD is eligible.

R4.3 Eliminate up to two active buses from the fleet and implement routing software.

Portsmouth CSD should consider eliminating two regular needs buses to bring its public ridership capacity utilization in line with the level recommended by the American Association of School Administrators (AASA). To achieve this ridership level, Portsmouth CSD 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 also need to revise its bell schedules to allow more time between runs. Where transportation is impractical, the District should continue to offer payment in lieu of transportation, and/or privately owned, other vehicle type of transportation. When determining which buses to remove from its active fleet, Portsmouth CSD should eliminate those with the highest mileage and highest maintenance costs.

To help achieve optimal ridership, Portsmouth CSD 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 District bus service.
- Consider adjusting bell schedules to allow additional time for the reduced number of routes.
- Require parents to confirm planned use of District transportation services annually.

Furthermore, the District should acquire and implement electronic routing software to design more efficient routes and maximize the utilization of its buses. Through the routing software, the District should explore the feasibility of other initiatives to improve efficiency, such as staggered bell schedules, multi-tiered routing, and cluster stops. It might also consider a contractual relationship with a neighboring district or the County Board of Developmental Disabilities to share routing software.

A similar recommendation was made in the 2002 Performance Audit).

The ODE target bus utilization efficiency ratio for Portsmouth CSD takes into account the population density, square miles and regular buses. The targeted ratio per bus for ODE is approximately 66 students, though the rated capacity in operation is approximately 109 students. On a per bus basis, the District has only small (minimal) capacity that is underutilized.

The District operates seven buses on a multi-tier routing system of 19 runs/routes to transport regular students, including public, nonpublic and community school students. **Table 4-4** compares Portsmouth CSD's regular needs ridership with the American Association of School Administrators (AASA) benchmark that suggests buses should operate at 80 percent capacity.

Table 4-4: Regular Needs Ridership Comparison to Industry Benchmark

Total # of Active Regular Buses	7.0
Total Targeted Capacity	1,041.6
Targeted Capacity per Bus	148.8
District's # of Regular Type 1 Riders	802
District Average per Bus	114.6
# of Buses to Achieve Target	5.4
# of Bus Reductions	1.6

Source: ODE, Portsmouth CSD, and AASA

¹Total Benchmark Capacity was calculated by determining the size of each bus providing service, the number of tiers each bus ran, and the students transported on each tier. Three students per seat was used to determine capacity for elementary school routes, while two students per seat was used to determine capacity intermediate, middle, and high school routes.

As shown in **Table 4-4**, and based optimal efficiency levels, the runs conducted by the District equate to an operational capacity of approximately 1,042 possible riders allowing a 20 percent spare capacity per bus. Per the District's T-1 report, 802 riders were transported by the District using 75.5 percent of available capacity. If the District were to achieve the target benchmark capacity of 80 percent, it could potentially reduce 1.6 buses from its fleet. Using a greater degree of capacity, the District may be able to reduce up to two buses. However, the size of the district, types of road conditions, and geographical constraints such as where the child resides does have a factor in routing design for the District.

In order to achieve this capacity, the District may have to extend route times and recalibrate routes on a regular basis to make adjustments for ridership in order to meet recommended capacity. The average route time is approximately 40 minutes. This represents an opportunity for the District to increase bus route times that fall under the average in order to reduce the number of buses needed. The District could work with its community in order to design more efficient routes that do not require excessive or time-consuming turnarounds and extend bus stops from door to door service to at least the ½ mile limitation. By doing so, the District will have more efficiently designed routes that reduce route time and the cost of transportation.

Portsmouth CSD currently uses no software to assist in the management or provision of transportation services. According the Transportation Coordinator, bus routes are designed manually based on historical routes with changes made to accommodate new students. The use of software to guide these functions could help ensure that Portsmouth CSD achieves maximum routing and maintenance efficiency. The lack of transportation software may hinder the District's ability to operate more efficiently and change and update routes with ease.

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 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 routing efficiency by identifying optimal routes and allowing rerouting without significant additional labor.

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

By redesigning each route to increase the amount of capacity used, Portsmouth CSD can reduce the number of buses needed to transport children in the District. Implementing recommended practices will help the District achieve this operating level and maximize its transportation resources.

Financial Implication: Reducing two active buses will save the District approximately \$85,000. Routing software would cost approximately \$10,000, with an annual maintenance fee of approximately \$2,100. In total, the first year savings would be about \$75,000

R4.4 Establish and collect fees for the non-routine use of buses.

The Board should comply with the stipulation in its transportation policy to establish fees for non-routine use of buses. This would eliminate ambiguity and give the District the flexibility to adopt a methodology that meets its needs. The methodology should clearly state which groups are expected to cover the cost of non-routine transportation and address the extent to which the fees are expected to cover the District's cost for non-routine transportation.

By developing written policies and procedures and communicating them to District stakeholders, Portsmouth CSD will be able to promote consistency in its transportation operations and ensure that District stakeholders have a clear understanding of non-routine transportation costs and the associated fees. Through its policy, the Board should reserve the right to change this rate during the school year if its actual costs change significantly. In addition, the District should establish administrative guidelines to more fully address the issue of insurance for non-routine trips as directed by the Board policy. The Treasurer should comply with the Board's policy to bill the appropriate parties for non-routine use of District buses.

Portsmouth CSD's transportation policy states that fees for the use of the District-owned buses will be established and made part of the District regulations. Non-routine use of buses is defined as those uses specified in OAC 3301-83-16; and the cost of non-routine transportation shall be reimbursed to the District in accordance with District policy. However, according to the Transportation Department, the District does not charge for all non-routine bus use and does not

adhere to its non-routine transportation policy. District representatives stated the District does not allow outside organizations to use school buses, and the only non-routine transportation costs that the District incurs are for athletic trips. Furthermore, the Transportation Coordinator stated that when drivers are scheduled to drive students to athletic events, they may be paid their regular wages for a minimum of three hours. If such a trip is cancelled without adequate notice to the bus driver, as contained in the District’s collective bargaining agreement, the driver will have the option of being first in line for the next available trip or being paid for three hours at the regular rate. However, if a driver is called out on an emergency, he or she receives three hours pay at triple pay rate or (regular hourly pay times 3).

Ohio Administrative Code (OAC) § 3301-83-16 requires that districts use school buses for non-routine trips only when such trips will not interfere with routine transportation service. It stipulates that there should be no pupil charge for transporting students to and from regular classes and other educational field trips on school days regardless whether buses are board-owned or privately-owned so long as they are operated under a contract with a board of education. A fee may be charged for field trips on non-school days. The ORC also requires districts to recover an amount not to exceed the actual operational costs associated with the non-routine use of school buses, with the exception of field trips that are extensions of the instruction program. ODE has interpreted this to mean that districts must charge outside organizations for use of its buses.

Because neither the District’s policy nor the rules and regulations establish specific amounts that would be charged to sponsoring organizations and others for non-routine bus services, the District lacks clarity on how to recover those costs.

Providing a clear method for charging and obtaining reimbursement for non-routine transportation would help Portsmouth CSD better control its transportation costs and recoup the cost of non school-related excursions.

R4.5 Eliminate two spare buses from the fleet.

Portsmouth CSD should reduce its spare bus fleet by two buses. This would result in a spare bus ratio that is more consistent with ODE guidelines. The District should also 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 transportation operations.

Table 4-5 compares Portsmouth CSD’s spare bus fleet to the peer average for FY 2009-10.

Table 4-5: Spare Bus Fleet Comparison (FY 2009-10)

	Portsmouth CSD	Peer Average	Difference v. Peers	% Difference v. Peers
Number of Spare Buses	5	4	1	25.0%
Total Number of Buses	12	17	(5)	(29.4%)
Spare Bus Ratio	41.7%	23.5%	18.2%	77.5%

Source: Portsmouth CSD and peer districts’ T-1 reports.

As **Table 4-5** shows, the District had five fewer buses overall than the peer average in FY 2009-10, but it had one more spare bus. The District's ratio of spare buses to total buses was approximately 77.5 percent higher than the peer average. The Transportation Coordinator stated the District needs this many spares as backups in case of emergencies, and when there are breakdowns among the regular fleet. Based on current data, the District is higher than both the peer district average and the Ohio Department of Education (ODE's) suggestion for spare busses.

Further analysis of the District's fleet indicates the average age of the buses as of end of FY 2009-10 is about 10 years old and average miles per bus were 116,564. The oldest bus is 21 years old (#12). It is used as a spare and its mileage is 38,631. The District had seven active regular buses, no special education bus, and five spares that equal approximately 41.7 percent of its total bus fleet. In FY 2009-10, Portsmouth CSD sold four of its spare buses (salvage) through private sales. The sales of these old buses netted a total of \$1,000 in revenue.

ODE's Office of Pupil Transportation recommends that districts maintain a spare bus ratio of approximately 1 spare to every 5 active buses (20 percent). Based on this recommended ratio, the District needed only 2.4 spare buses in FY 2009-10 and FY 2010-11.

The Transportation Supervisor and the Treasurer indicated that Portsmouth CSD does not have a goal for the number of spare buses it needs to maintain in its fleet. Instead, it keeps a higher number of spares primarily because it receives minimal financial compensation for selling old buses, and they are sometimes helpful during emergencies.

By maintaining a spare bus fleet in excess of ODE's recommendation, Portsmouth CSD may be incurring excess costs for insurance and routine maintenance. Eliminating some of the spare buses from the fleet and maintaining the ODE recommended spare bus level would help Portsmouth CSD curtail some costs related to the spare bus fleet.

Financial Implication: Assuming Portsmouth CSD could receive the same level of revenue for future sales of its used buses as Southwest Licking Local School District did in FY 2009-10 (an average of \$1,725 per bus) it could generate \$3,450 in one-time revenue from the sale of its two spare buses.

Appendix A: 2002 Performance Audit Recommendations and Implementation Status

Table A-1 summarizes the 2002 Performance Audit recommendations and their implementation status. Each recommendation was categorized as implemented, partially implemented, not implemented, or no longer applicable.

Table A-1: 2002 Performance Audit Recommendation Implementation Status

	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
Financial Systems				
R2.1 Portsmouth CSD should use the format of the financial forecast presented and update the information and projections as financial issues change or materialize.	X			
R2.2 Before any account is deleted from the USAS programs, District financial personnel should follow the recommended procedures outlined in Chapter 38 of the USAS reference manual.	X			
R2.3 Portsmouth CSD should consider training staff within the treasurer’s office to prepare the GAAP basis financial statements in-house.		X		
R2.4 The Board should develop a process to provide a timely, detailed work plan to address the recommendations of any operational study and establish a follow-up procedure to ensure compliance with the work plan.				X
R2.5 Portsmouth CSD should create a comprehensive long-range capital plan which addresses the need for ongoing capital repairs and maintenance, especially since new buildings will be built within the district.		X		
R2.6 The Board should adopt formal policies and procedures for managing grants.			X	
R2.7 Portsmouth CSD should develop a coordinated grant program to include teachers and administrators in the grant search and application process.	X			
R2.8 The Board should review the allocation percentage of salaries and benefits being charged to the Food Service Division. In its accounting, Portsmouth CSD should charge back the Food Service Division for items or services which the Food Service Division actual receives.				X
R2.9 Portsmouth CSD’s Director of Business Affairs should reevaluate the staffing needs of the	X			

	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
Food Service Division and consider reducing the number of food service staff.				
R2.10 Portsmouth CSD should consider reducing 1.0 FTE staff in the Food Service area and conduct a comprehensive review of the duties and responsibilities of its food service staff and determine what resources are not being used efficiently and effectively in relation to the need of the department.	X			
R2.11 Portsmouth CSD should closely examine spending patterns and reallocate the monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the student’s education and proficiency test results.	X			
Human Resources				
R3.1 Portsmouth CSD should continually monitor enrollment and develop detailed projections which should be used to adjust staffing levels accordingly.		X		
R3.2 Portsmouth CSD should conduct a detailed analysis of the duties and responsibilities of its administrators (specifically site-based) to determine if resources are being used efficiently and effectively in relation to the needs of the District.	X			
R3.3 Portsmouth CSD should conduct a detailed analysis of the duties and responsibilities of its clerical personnel and determine if resources are being used efficiently and effectively in relation to its needs.		X		
R3.4 Portsmouth CSD should assess its current and proposed staffing levels to determine the appropriate mix of direct instructional and district educational support personnel and continually monitor these staffing levels.	X			
R3.5 Portsmouth CSD should consider the option of offering low enrollment classes that cannot be consolidated on a biennial basis.				
R3.6 Portsmouth CSD should closely monitor enrollment and staffing levels to determine optimal staffing levels which will best serve the District in achieving its desired educational goals.	X			
R3.7 Portsmouth CSD should review its staffing in the ESP classification for potential reductions. Classifications which should be reviewed for possible reductions would include art teachers, music teachers, physical education teachers and counselors.	X			
R3.8 Portsmouth CSD should review the number of eligible supplemental positions offered to determine if there is an excessive number of	X			

	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
positions being offered.				
R3.9 Portsmouth CSD should analyze the importance of each office/clerical position to determine if a substitute is needed if the situation arises.		X		
R3.10 Portsmouth CSD should assess whether the high number of professional leave days currently being used is providing a positive benefit to the District.	X			
R3.11 Portsmouth CSD should monitor sick leave for possible misuse. If Portsmouth CSD determines that classified employees are misusing sick leave for non-medical reasons, the District should consider implementing additional policies to assist with reducing sick leave usage.		X		
R3.12 Portsmouth CSD should perform an analysis on the costs and benefits of continuing its current leave incentive policies.	X			
R3.13 Portsmouth CSD should take steps to reduce health care costs, particularly since it needs additional dollars to fund financial obligations and expand capital improvements.		X		
R3.14 Portsmouth CSD should consider conducting annual evaluations for all limited and continuing contract teachers.	X			
R3.15 Evaluations for all classified employees should be conducted at least once a year.			X	
Facilities				
R4.1 All custodial job descriptions should be reviewed and updated. The job descriptions should be updated and responsibilities should be clearly defined.	X			
R4.2 Portsmouth CSD should reduce the custodial staffing level by two custodial FTEs to 16 custodians.				X
R4.3 Prior to the new buildings coming on-line, Portsmouth CSD should adopt a custodial staffing methodology in order to ensure the new buildings are staffed appropriately.	X			
R4.4 Portsmouth CSD should increase the use of custodial substitutes to fill shift vacancies.	X			
R4.5 Portsmouth CSD should review the current custodial schedules to ensure that the most effective and efficient coverage is attained.	X			
R4.7 The Director of Business Affairs should meet with the building principals, the head custodians, and the head of maintenance to clearly define which maintenance and repair tasks the custodians should be performing on a regular basis and which tasks should be completed by the head of maintenance.	X			
R4.8 Portsmouth CSD should develop and	X			

	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
implement a work order process that provides for electronic tracking of requests and related task information.				
R4.9 Portsmouth CSD should develop and implement a formal coordination and communication process between the Business Office, the site-based manager (principal), and the head custodian at each building.		X		
R4.10 Portsmouth CSD should review the current personnel evaluation form and revise the form to show specific evaluation competencies that relate to the position being evaluated.				X
R4.11 Portsmouth CSD should establish a policy which defines essential employees, including administrators, custodial and maintenance workers, exempt 12-month employees, and any other personnel necessary to prepare the District to re-open following a calamity day.	X			
R4.12 Portsmouth CSD should develop a comprehensive FMP to be enacted in conjunction with the new facilities.	X			
R4.13 Portsmouth CSD should incorporate use of enrollment projections as part of the recommended comprehensive FMP and five-year financial forecast.	X			
R4.14 Considering Portsmouth CSD’s current financial condition, the District should assess its current capacity needs. The assessment should review vacant classroom and building space and current class sizes.	X			
R4.15 Portsmouth CSD should review the current agreement and prepare for anticipated changes in utility needs within the new buildings.	X			
Transportation				
R5.1 Portsmouth CSD should revise its transportation policy and establish pragmatic criteria to determine transportation eligibility.	X			
R5.2 Portsmouth CSD’s director of business affairs, treasurer and superintendent should follow the instructions prescribed by ODE when preparing the T-Forms.	X			
R5.3 Portsmouth CSD should start recording the number of students who actually ride the buses.	X			
R5.4 Portsmouth CSD should become compliant with ORC and ODE regulations. Portsmouth CSD should complete the T-Forms accurately as detailed by the instructions. Portsmouth CSD should also count and document the actual number of students riding the buses.	X			
R5.5 Portsmouth CSD should prepare a plan for the replacement of buses that have exceeded, or are about to exceed, the generally accepted parameters for replacement.	X			

	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
R5.6 Portsmouth CSD should explore different options for the procurement of bus fuel.				X
R5.7 Portsmouth CSD should consider acquiring transportation-related software in the future.			X	

District Response

The letter that follows is the 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.



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Office of the Superintendent

August 8, 2011

Michael E. Day, Senior Audit Manager
Performance Audit Division
State of Ohio, Office of the Auditor
88 East Broad Street
Columbus, OH 43216

Dear Mike:

On behalf of the district, we would like to express our appreciation to you and the rest of your staff for the work that went into the Performance Audit of the Portsmouth City School District. We have enclosed our responses to the audit.

Numerous meetings have been held with key stakeholders of the district and it is our intent to take this information and use it to our advantage. We are committed to ensuring that our district is on firm financial footing; and we also are committed to changing the way our district has done business in the past in order to achieve our goals. This is the first step in the process and the recommendations throughout this report will serve as a guide as we proceed.

Again, thanks for your efforts in providing us with this report.

Sincerely,

A handwritten signature in black ink that reads "Scott Dutey".

Scott Dutey
Superintendent

A handwritten signature in black ink that reads "Kyle F. Smith".

Kyle F. Smith
Treasurer

Enclosures

P o r t s m o u t h C i t y S c h o o l D i s t r i c t



Dave Yost • Auditor of State

PORTSMOUTH CITY SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 8, 2011