



Mary Taylor, CPA  
Auditor of State

EDISON  
LOCAL SCHOOL DISTRICT  
PERFORMANCE AUDIT

OCTOBER 11, 2007



# Mary Taylor, CPA Auditor of State

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

On November 29, 2006, Edison Local School District (Edison LSD) was placed in fiscal caution because of the possibility of ending the 2007 fiscal year in a deficit and incurring additional deficits in future years. This fiscal oversight designation was elevated to fiscal watch on February 8, 2007. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in Edison LSD beginning in October 2006. The six functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, technology, and food service. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declarations of fiscal caution and watch.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Edison LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit. During the course of the performance audit, Edison LSD decreased expenditures in several areas, as well as increased Title I staffing and began evaluating Title I programs performance, closed several building, and updated its computer equipment.

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution, watch and emergency designations; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Edison LSD, and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

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

Sincerely,

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

MARY TAYLOR, CPA  
Auditor of State

October 11, 2007



# **Executive Summary**

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## **Project History**

Section 206.09.12 of Amended Substitute House Bill 66 of the 126<sup>th</sup> General Assembly (HB 66), provided funding for comprehensive performance audits of selected Ohio school districts consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. The Ohio Revised Code (ORC) permits the Auditor of State (AOS) to review any programs or areas of operation in which the Auditor believes that greater operational efficiency, effectiveness, and accountability can be achieved. In addition, ORC § 3316.042 permits AOS to conduct a performance audit of any school district in a state of fiscal caution, watch, or emergency and review any programs or areas of operations in which it believes that greater operational efficiency, effectiveness, and accountability can be achieved.

The Ohio Department of Education placed Edison Local School District (ELSD or the District) in fiscal caution on November 29, 2006. The fiscal oversight designation was elevated to fiscal watch on February 8, 2007. Based on its financial condition at the beginning of FY 2006-07, the Edison Local School District (Edison LSD or the District) was selected for a comprehensive performance audit.

The performance audit included reviews of the following operational areas:

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

An initial review of Food Service operations indicated that this program had undergone several operational changes and would, in FY 2006-07, meet recommended practices in most areas. Therefore, a comprehensive analysis was not conducted.

## **District Overview**

Edison Local School District (Jefferson County) is located in northeast Ohio, approximately 12 miles north of Steubenville. The District is comprised of the communities of Irondale, Stratton, Empire, Richmond, Amsterdam, and Bergholz. As reported by the Ohio Department of

Education (ODE), Edison LSD's average daily membership (ADM) for FY 2006-07 is approximately 2,161 students, a 4.3 percent decrease from FY 2005-06. Enrollment has declined in the District over the past several years. Located in a rural county, population migration trends have had a negative impact as District residents relocate to larger economic centers in the State.

Edison LSD is governed by an elected five member Board of Education, as defined by ORC § 3313.02. The Board serves as the taxing authority, contracting body, and policy maker, while ensuring that the general laws of the State of Ohio are followed in the expenditure of District tax dollars.

During FY 2005-06, Edison LSD operated seven school buildings: four elementary schools (grades K through 5), two middle schools (grades 6-8), and one high school (grades 9-12). The District reported 290.8 full-time equivalent (FTE) employees, consisting of 15 FTE administrative staff (which is in line with peer districts), 3 FTE professional staff, 115 FTE teachers (which is slightly below peer districts), 50 FTE other educational staff, 27 FTE support staff, and 70.8 FTE operations staff.

Students with physical and learning disabilities comprise about 18 percent of the ADM. The regular education student-to-teacher ratio in FY 2005-06 was 16.5 to 1. Also in FY 2005-06, the District met 19 of 25 academic performance indicators established by ODE and was categorized as an effective district.<sup>1</sup>

On November 29, 2006, Edison LSD was placed in fiscal caution based on an ODE financial analysis that indicated a potential deficit of approximately \$1.9 million for FY 2006-07 and \$2.9 million in FY 2007-08. Edison LSD was given until January 29, 2007 to submit a fiscal caution proposal that addressed the current and future year deficits. However, Edison LSD failed to submit an acceptable fiscal caution proposal. Therefore, ODE requested that AOS place the District in fiscal watch under ORC §3316.03. On February 8, 2007, AOS placed Edison LSD in fiscal watch based on the recommendation of ODE.

In order to minimize potential deficits, this performance audit recommends substantial additional reductions in personnel, including classroom teachers. Enhanced local revenue and/or additional savings not identified by the performance audit would allow the District to make fewer reductions in teachers and education support personnel. Conversely, failure to fully implement and/or negotiate all of the recommendations contained in this report would require the District to make even more significant reductions in programs and personnel in future years.

Some of the recommendations in this performance audit are subject to negotiation but represent significant cost saving opportunities. In order to avoid projected deficits, the audit recommends

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<sup>1</sup> This was a notable increase as Edison LSD had met only 13 of the indicators in FY 2004-05 and was categorized as "continuous improvement."

reductions in teachers that would bring staffing levels below those of the peer districts and near State minimum standards.

## **Objectives**

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of the performance audit is to review any programs or areas of operation in which greater operational efficiency, effectiveness and accountability for services can be achieved. Major assessments were conducted for this performance audit in the following areas:

- ***Financial Systems:*** includes an evaluation of Edison LSD's October 2006 five-year financial forecast, including the reasonableness of the underlying assumptions and supporting documentation, along with other financial policies and procedures;
- ***Human Resources:*** includes an analysis of District-wide staffing levels, collective bargaining agreements, and benefit costs;
- ***Facilities:*** includes assessments of building capacities and utilization rates, as well as custodial and maintenance operations;
- ***Transportation:*** includes evaluations of key transportation operational information; and
- ***Technology:*** includes an analysis of the use of technology in the District, technical support staffing levels, technology planning and budgeting practices, technology-related policies and procedures, security, and hardware and software components.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that Edison LSD should consider in its continuing efforts to resolve the deficit.

## **Scope and Methodology**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between November 2006 and March 2007. To complete this report, auditors gathered and assessed data from various sources relevant to key operations. Auditors also conducted interviews with District personnel and reviewed and assessed information from Edison LSD and other school districts.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered while assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and, where warranted, resulted in report modifications.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from Edison LSD and other school districts. Throughout this report, comparisons are made to the average of 10 peer districts.<sup>2</sup> These districts were selected as peers based on demographic groupings, academic performance indicators, and expenditures per pupil. The data obtained from the comparison districts was not tested for reliability, although it was reviewed in detail for reasonableness. Also, external organizations and sources were used to provide comparative information and benchmarks. They included, but were not limited to, the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related best practices. Information used as criteria (benchmarks or recommended practices) was not tested for reliability.

The Auditor of State and staff express their appreciation to Edison LSD and the peer school districts for their cooperation and assistance throughout this audit.

## **Noteworthy Accomplishments**

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are key noteworthy accomplishments identified during the course of the performance audit.

### *Technology*

- **Technology Planning:** Edison LSD has effectively planned its technology initiatives. The District's goal is to replace obsolete equipment every 3 to 5 years. According to the

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<sup>2</sup> Peer Districts: East Holmes Local School District (Holmes Co.), Garaway Local School District (Tuscarawas Co.), Indian Valley Local School District (Tuscarawas Co.), Leipsic Local School District (Putnam Co.), Logan-Hocking Local School District (Hocking Co.), Loudonville-Perrysville Exempted Village School District (Ashland Co.), New London Local School District (Huron Co.), New Riegel Local School District (Seneca Co.), Southeast Local School District (Wayne Co.), and Springfield Local School District (Mahoning Co.).

2006 BETA survey, effective planning has allowed the District to equip 93 percent of its schools with computers using Pentium 4 processors. Edison LSD exceeds State and peer averages for upgraded computer equipment.

- **IT Support Practices:** The Technology Department has made significant progress in improving service levels and meeting recommended practices for its technology support function, particularly in light of fiscal constraints. The Technology Coordinator has implemented strategies to help address needed technology support and increase efficiency with minimal impact on the District's budget.

For example, the Technology Coordinator has established an online repair form to help facilitate repair requests from staff members. This has helped to clarify technology problems, prioritize work, and increase the response rate for repairs without relying on written requests. To further increase the efficiency and timeliness of completing repair requests, remote software was installed, providing additional capability to correct technology problems without having to make an actual building visit.

## **Key Recommendations**

The performance audit contains several recommendations pertaining to District operations. The most significant recommendations are presented below.

*In the area of financial systems, Edison LSD should:*

- Maintain and publish a clearly written, multi-year strategic plan to provide vision and direction for the District. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP) and plans recommended for other operational areas.
- Expand financial policies and procedures pertaining to fiscal planning by requiring the development of alternative scenarios in conjunction with the five-year forecast.
- Update several forecast line items, including property tax projections, restricted and unrestricted grants-in-aid (State Foundation), personal services, retirement and benefits, purchased services, and supplies and materials.

*In the area of human resources, Edison LSD should:*

- If financial conditions do not stabilize, reduce regular education personnel by up to 32 FTE teachers for annual cost savings of \$2.2 million.

**During the course of this audit, Edison LSD reduced 14 FTE teachers.**

- Restructure benefit levels within health insurance plans for a savings of \$280,000.

**During the course of the audit, Edison LSD administrators began working with a health insurance benefits consultant to redesign their plan and create a more sustainable benefits package.**

- Renegotiate collective bargaining unit provisions for certificated and classified employees that exceed State minimums and best practices.
- Develop a staffing plan to address current and future staffing needs.

*In the area of facilities, Edison LSD should:*

- Close two buildings for a savings of \$432,000.

**During the course of this audit, Edison LSD closed two elementary buildings (Irondale and Richmond). The District is auctioning the Richmond Elementary building and its contents in October 2007 which will reduce its liability to maintain the building and generate a one-time revenue enhancement.**

- Reallocate 0.6 custodial FTEs to maintenance and grounds keeping tasks.

**During the course of the audit, Edison LSD reallocated staffing within its buildings to achieve additional cost savings.**

- Develop a comprehensive facilities master plan that uses elements of the Ohio School Facilities Commission assessment report as a starting point.
- Implement a formal District-wide energy conservation policy that addresses increasing energy usage and costs for an annual savings of about \$28,500.
- Monitor and control overtime in an effort to use District resources in the most efficient manner possible and to save approximately \$12,300.

*In the area of transportation, Edison LSD should:*

- Reduce the active bus fleet by eight buses and eight bus driver positions by revising elementary, middle, and high school bell schedules and bus routes to increase bus utilization to approximately 100 students per bus. Likewise, Edison LSD should reduce

the fleet by four spare buses. The District would save approximately \$276,880 in salary, benefits, and insurance costs.

**During the course of this audit, Edison LSD reduced one route and bus, including the driver position.**

- Establish a formal bus replacement plan to ensure proper planning for the purchase of new buses, which will increase District costs by \$95,000 annually.
- Establish formal policies and procedures for preparing T-forms. The District should develop procedures for identifying, allocating and verifying all transportation costs incurred by the District and charged to the Transportation Department.

*In the area of technology, Edison LSD should:*

- Develop a detailed budget that encompasses all costs associated with the Technology Department.
- Develop a student technology program that will enhance the curriculum and provide additional technical support for the District.
- Develop a formal disaster recovery plan for key technology systems, using GFOA and NCES recommended guidelines. Once developed, the plan should be reviewed and updated annually.

## **Issues for further Study**

The following areas were identified during the audit and may warrant further examination but were outside the scope of the current audit engagement.

### *Technology*

- **Total Cost of Ownership:** Edison LSD's technology plan indicates that Total Cost of Ownership (TCO)<sup>3</sup> is used as a consideration in certain cost analysis. Although the technology plan meets criteria, cost analyses could be improved through a more rigorous application of TCO principles. As the District gains more financial stability, it should determine the cost effectiveness of applying TCO to a greater degree when planning its technology budget.

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<sup>3</sup> A TCO is an analysis that considers all technology costs including the purchase price such as implementation costs, training, salaries, and other supplemental costs.

- **Internet Service Contract:** Edison LSD has established contracts with its area information technology center (ITC), OME-RESA, for internet services. These services are billed monthly on a discount from E-Rate and are arranged annually by contract. However, review of the contract and pricing is limited. Edison LSD should consider studying the cost/benefit of using OME-RESA (versus other ITCs) for its technology connectivity and support needs.
- **Technology Staff Level and Support:** The District is unable to increase technology support staff because of fiscal constraints. There are 2 technology support FTEs, which represents a ratio of 0.84 FTEs per 1,000 students, or 0.68 FTEs per 100 district employees. In the future, the District should study to the feasibility and necessity of increasing the technology staff to address the demands of its operations. This could also be accomplished through the implementation of a student technical support program.

## Summary of Financial Implications

The following tables summarize the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions which Edison LSD should consider. Some of the recommendations are contingent upon labor negotiations or collective bargaining agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

### Summary of Performance Audit Recommendations

	Estimated First Year Savings/(Costs)
<b>Recommendations not Subject to Negotiation</b>	
<b>R3.1</b> Reduce staffing by 32 Regular Educational Teacher FTEs	\$2,220,110
<b>R3.6</b> Develop leave policy and monitor leave use	\$32,720
<b>R4.1</b> Close two buildings (1 elementary, 1 middle school) and reduce associated positions	\$432,900
<b>R4.5</b> Implement an energy management program	\$28,455
<b>R4.6</b> Reduce custodial/maintenance-related overtime costs	\$12,326
<b>R5.2</b> Reduce 8 buses and corresponding drivers, reduce 4 spares.	\$42,000
<b>R5.2</b> Reduce staffing by 8 regular bus drivers (personnel costs)	\$234,880
<b>Subtotal of Recommendations Not Subject to Negotiation</b>	<b>\$3,003,391</b>
<b>Recommendations Subject to Negotiation</b>	
<b>R3.2</b> Increase Insurance Premiums to 10 Percent	\$281,015
<b>Subtotal of Recommendations Subject to Negotiation</b>	<b>\$281,015</b>
<b>Total</b>	<b>\$3,251,685</b>
<b>Implementation Costs</b>	
<b>R5.4</b> Acquire transportation routing software	\$5,000
<b>R5.5</b> Replace two buses annually	\$120,000
<b>Total</b>	<b>\$125,000</b>

Source: AOS recommendations

Note: Figures are rounded.

The financial implications summarized above are presented on an individual basis. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary.

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# Financial Systems

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## Background

This section focuses on the financial systems in the Edison Local School District (Edison LSD, or the District). **Appendix 2-A** provides a summary of the audit objectives for the financial systems section. This section analyzes the current and future condition of Edison LSD for the purpose of developing recommendations to improve financial processes and identify opportunities for greater efficiency. The District's five-year forecast was also analyzed to ensure that the projections were reasonably indicative of future operational and financial conditions. Operations were evaluated against best practices, industry benchmarks, operational standards, the average of 10 peer districts,<sup>1</sup> other Jefferson County school districts, and Ohio Department of Education (ODE) similar districts in order to develop recommendations that will improve efficiencies and business practices.

According to the fiscal caution guidelines in Ohio Revised Code (ORC) §3316.03, a district may be placed in fiscal caution by the Superintendent of Public Instruction when its five-year forecast projects a current year ending fund balance that is less than or equal to 2 percent of projected revenue or a deficit greater than 2 percent in the next fiscal year. Edison LSD was placed in fiscal caution on November 29, 2006 based on the ODE financial analysis, which indicated a potential FY 2006-07 deficit of approximately \$1.9 million and a FY 2007-08 deficit of \$2.9 million. Edison LSD was given until January 29, 2007 to submit a fiscal caution proposal that addressed the potential current and future year deficits. However, the District failed to submit an acceptable fiscal caution proposal to address the potential deficit. On February 8, 2007, the Auditor of State (AOS) placed Edison LSD in fiscal watch as defined in ORC §3316.03 based on the recommendation of ODE.

### *Treasurer's Office Operations*

The Treasurer's Office consists of two staff members; the Treasurer, who reports to the Board, and the Assistant Treasurer, who reports directly to the Treasurer. The Treasurer's Office is responsible for processing payroll, administering accounts payable/receivable, and reporting District finances to the Board and general public. The Treasurer's Office is guided by Board-approved policies and procedure, consisting of administrative ethics, budgeting, fiscal planning, purchasing, and payroll. Although the financial policies contain elements of recommended practices, they could be improved by including additional recommended practices (see **R2.10**).

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

In general, Edison LSD complies with Generally Accepted Accounting Principles. There were no unresolved citations from prior financial audits.

### *Financial Operations – Local Revenues*

Edison LSD relies on revenues from local, State, and federal sources. Local revenues are based on inside and voted millage. Levies in effect in Edison LSD include 1976 and 1977 continuing operating levies, and an emergency operating levy that was renewed on November 8, 2005. The emergency operating levy generates approximately \$1,049,000 annually and expires in FY 2010-11.

As local revenue is generated by applying millage rates to assessed property valuations, assessed valuation can be useful in gauging a district's ability to generate local revenue. Average Daily Membership (ADM) is used to normalize the differences in population and student counts between Edison LSD and the peers. **Table 2-1** compares Edison LSD's local revenues on a per ADM and total basis, as well as assessed valuation and dollars collected, to the peer district average, other districts in Jefferson County, and the ODE twenty similar districts.

**Table 2-1: FY 2006-07 Local Revenue Comparison**

	<b>Edison LSD</b>	<b>Peer District Average</b>	<b>County Average</b>	<b>Similar District Average</b>
<b>Average Daily Membership (ADM)</b>	2,161	1,250	1,772	2,260
<b>Assessed Value</b>	\$318,555,848	\$147,188,989	\$215,925,349	\$292,933,661
<b>Assessed Value per ADM</b>	\$147,437	\$110,810	\$118,099	\$125,936
<b>Property / Income Taxes Collected</b>	\$8,572,605	\$4,767,030	\$5,583,707	\$8,273,455
<b>Dollars Collected Per ADM</b>	\$3,968	\$3,464	\$3,109	\$3,550
<b>Dollars Collected Per ADM as a Percent of Assessed Value per ADM</b>	2.7%	3.0%	2.6%	2.8%

**Source:** Ohio Department of Education and the Ohio Department of Taxation

As shown in **Table 2-1**, Edison LSD has a higher assessed value per ADM than the peer district average, the County average, and the ODE similar district average. This means that the same voted millage in Edison LSD generates more local revenue than the peer districts, the County, or the ODE similar districts. Furthermore, Edison LSD collects more local revenue in total than the peer district average, the County average, and the similar district average. However, this is expected, because the District is large by comparison. In contrast, Edison collects less revenue on a per ADM basis because the relative wealth of the population and associated housing values are lower than the peers and other County districts. This effect is compounded by limited voted millage as Edison LSD has not passed a levy in recent years and is close to the 20 mill floor.

## Financial Operations – Expenditures

Table 2-2 shows governmental fund operational expenditures by function on a per pupil basis and as a percent of total costs for Edison LSD and the peer districts.

**Table 2-2: FY 2005-06 Governmental Expenditures**

Governmental Fund Expenditures	Edison LSD			Peer Average		
	Total \$	\$ per Student	% of Total	Total \$	\$ per Student	% of Total
<b>Instruction</b>						
Regular Instruction	\$7,333,029	\$3,245	42.7%	\$5,902,547	\$4,358	43.7%
Special Instruction	\$1,330,326	\$589	7.8%	\$1,135,720	\$807	8.4%
Vocational Education	\$215,364	\$95	1.23%	\$281,792	\$216	2.1%
Adult/Continuing Education	\$0	\$0	0.00%	\$1,063	\$1	>0.1%
Other Instruction	\$1,319,202	\$584	7.9%	\$505,233	\$374	3.7%
<b>Subtotal Instruction</b>	<b>\$10,197,921</b>	<b>\$4,513</b>	<b>59.38%</b>	<b>\$7,826,356</b>	<b>\$5,756</b>	<b>58.0%</b>
<b>Supporting Services</b>						
Pupil Support Services	\$506,079	\$224	2.9%	\$651,505	\$413	4.8%
Instructional Support Services	\$246,347	\$109	1.4%	\$526,932	\$352	3.9%
Plant Operation & Maintenance	\$2,039,426	\$903	11.9%	\$1,262,427	\$914	9.4%
Pupil Transportation	\$1,739,930	\$770	10.1%	\$949,174	\$643	7.0%
Administration	\$1,436,205	\$636	8.4%	\$1,123,780	\$806	8.3%
<b>Subtotal Instruction</b>	<b>\$5,967,987</b>	<b>\$2,641</b>	<b>34.8%</b>	<b>\$4,513,818</b>	<b>\$3,127</b>	<b>33.4%</b>
<b>Other Support Services</b>						
Fiscal Services	\$407,828	\$180	2.4%	\$373,541	\$288	2.8%
Business Services	\$72,364	\$32	0.4%	\$35,114	\$24	0.3%
Board of Education	\$167,492	\$74	1.0%	\$36,906	\$28	0.3%
Central Support Services	\$76,200	\$34	0.4%	\$229,280	\$152	1.7%
<b>Subtotal Other Support Services</b>	<b>\$723,884</b>	<b>\$320</b>	<b>4.2%</b>	<b>\$674,842</b>	<b>\$492</b>	<b>5.0%</b>
<b>Subtotal Instruction &amp; Support</b>	<b>\$16,889,793</b>	<b>\$7,475</b>	<b>98.3%</b>	<b>\$13,015,016</b>	<b>\$9,376</b>	<b>96.4%</b>
<b>Non-Instructional Operations</b>						
Food Services Operations	\$0	\$0	0.00%	\$4,858	\$4	>0.1%
Community Services	\$0	\$0	0.00%	\$129	\$0	0.00%
Other	\$78	\$0.03	0.00%	\$229,280	\$158	1.7%
<b>Subtotal Non-Instructional Operations</b>	<b>\$78</b>	<b>\$0.03</b>	<b>&gt;0.1%</b>	<b>\$234,268</b>	<b>\$162</b>	<b>1.7%</b>
<b>Extracurricular Activities</b>						
Academic/Subject Extracurricular	\$22,176	\$10	0.1%	\$23,739	\$20	0.2%
Occupational Oriented Activities	\$0	\$0	0.00%	\$1,889	\$3	>0.1%
Sports Oriented	\$246,873	\$109	1.4%	\$207,885	\$163	1.5%
Co-Curricular Activities	\$15,508	\$7	0.1%	\$13,514	\$11	0.1%
<b>Subtotal Extracurricular</b>	<b>\$284,557</b>	<b>\$126</b>	<b>1.7%</b>	<b>\$247,027</b>	<b>\$197</b>	<b>1.8%</b>
<b>Subtotal Instructional Operations</b>	<b>\$284,635</b>	<b>\$126</b>	<b>1.7%</b>	<b>\$481,295</b>	<b>\$359</b>	<b>3.6%</b>
<b>Operational Expenditure</b>	<b>\$17,174,427</b>	<b>\$7,601</b>		<b>\$13,496,310</b>	<b>\$9,735</b>	

Source: Edison LSD and peer districts' FY 2005-06 unaudited year-end financial reports

As shown in **Table 2-2**, Edison LSD spent approximately \$2,100 less than the peer district average in total operational expenditures per pupil. However, the District spent more on a per pupil basis on other instruction, pupil transportation, business services, and the Board of Education.

In the area of **Other Instruction**, Edison LSD spent approximately \$210 more per pupil than the peer district average. These costs are predominantly associated with tuition to outside districts, excess costs, the net impact of open enrollment, community schools, and adjustments to State Foundation (SF-3) amounts. Although Edison LSD spent more than the peer district average on these items, the costs are not controllable expenses since the District is obligated by law to pay other districts the State Foundation monies for open enrollment students.

In the area of **Pupil Transportation**, Edison LSD spent approximately \$127 more per pupil than the peer district average (see the **transportation** section). Edison LSD also spent approximately \$8 more per pupil than the peer district average for **Business Services**. These costs are slightly higher than the peers and were associated with functions performed by the Assistant Superintendent and the Assistant Superintendent's secretary. Lastly, the District spent approximately \$46 more per pupil than the peer district average for board of education expenses, 59 percent of which are associated with legal fees.

### *Discretionary Expenditures*

Discretionary expenditures are items not governed by negotiated agreements or contracts – a district can control these expenditures to some degree in the short term. **Table 2-3** details FY 2005-06 General Fund discretionary expenditures, expenditures per student, and the percent of total expenditures for Edison LSD compared to the peer district average. Discretionary expenditures accounted for about 11.9 percent of the District's general operating expenditures in FY 2005-06, commensurate with the peer average.

**Table 2-3: FY 2005-06 Discretionary General Fund Expenditures**

Discretionary Expenditures	Edison Local School District			Peer Average		
	Total \$	\$ Per Pupil	% of Total	Total \$	\$ Per Pupil	% of Total
Professional & Technical Services	\$105,842	\$47	0.6%	\$272,443	\$189	2.3%
Property Services	\$212,525	\$94	1.1%	\$174,687	\$133	1.6%
Mileage/Meeting Expense <sup>1</sup>	\$141,214	\$62	0.7%	\$42,092	\$22	0.3%
Communications	\$26,122	\$12	0.1%	\$38,420	\$23	0.3%
Craft or Trade Services.	\$0	\$0	0.0%	\$5,241	\$2	0.0%
Pupil Transportation Services	\$0	\$0	0.0%	\$15,750	\$7	0.1%
Other Purchased Services <sup>1</sup>	\$174,534	\$77	0.9%	\$101,752	\$37	0.4%
General Supplies	\$183,675	\$81	1.0%	\$149,952	\$101	1.2%
Textbooks/Reference Materials	\$120,292	\$53	0.6%	\$53,224	\$40	0.5%
Plant Maintenance. & Repairs <sup>1</sup>	\$99,680	\$44	0.5%	\$68,439	\$46	0.5%
Fleet Maintenance. & Repairs <sup>1</sup>	\$312,939	\$138	1.7%	\$153,420	\$93	1.1%
Other Supplies & Materials	\$18,898	\$8	0.1%	\$13,485	\$17	0.2%
Capital Outlay (New) <sup>1</sup>	\$402,613	\$178	2.1%	\$135,166	\$88	1.1%
Dues & Fees	\$425,230	\$188	2.3%	\$296,776	\$192	2.2%
Insurance	\$19,543	\$9	0.1%	\$14,712	\$10	0.1%
Total Discretionary Expenditures	<b>\$2,243,106</b>	<b>\$993</b>	<b>11.9%</b>	<b>\$1,535,558</b>	<b>\$1,001</b>	<b>11.3%</b>
<b>Total General Fund Expenditures</b>	<b>\$18,882,790</b>			<b>\$13,634,834</b>		

Source: Edison LSD Year end and peer districts' FY 2005-06 un-audited year-end financial reports

<sup>1</sup> These line items were analyzed further due to the material differences between Edison LSD and the peer average.

Edison LSD spent approximately \$8 less per pupil in discretionary spending than the peer district average. However, it spent more on **mileage/meeting expense**, **other purchased services**, **textbook/reference materials**, **fleet maintenance and repairs**, and **capital outlay**. In the area of **mileage/meetings expenses**, 68.8 percent of these costs are derived from contracts associated with Kids Express II, which transports special needs students. Furthermore, Edison LSD's per pupil expenditures in **other purchased services** exceeded the peers, although 23.5 percent of the cost can be attributed to regular instructional activities and costs associated with services from OME-RESA and the Jefferson County Educational Service Center (ESC). In addition, 45.5 percent is attributed to Superintendent services, a portion of which pays for a school resource officer.<sup>2</sup> Lastly, 9.1 percent is attributed to supporting services, which also pays for services received from the ESC.

<sup>2</sup> This position will be grant funded in FY 2006-07.

Moreover, Edison LSD spent more per pupil on **fleet maintenance & repair** than the peers and approximately 69 percent of the costs are attributed to fuel and maintenance. Finally, the District spent a significant amount on **capital outlay**, due to roof replacements and other facility improvements.

### *Financial Condition*

The financial forecast presented in **Table 2-4** represents the Treasurer's projections of present and future conditions as of October 31, 2006. The performance audit includes a review of the assumptions that have a significant impact on the forecast, such as tax revenue, property tax allocations, unrestricted and restricted grants-in-aid, and salaries, benefits, purchased services, and supplies and materials.

**Table 2-4: Edison Local School District Five-Year Forecast (in 000's)**

	Actual			Forecasted				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Revenue:</b>								
General Property Tax (Real Estate)	\$6,547	\$6,834	\$6,999	\$7,279	\$7,497	\$7,797	\$8,031	\$8,272
Tangible Personal Tax	\$421	\$411	\$585	\$206	\$164	\$76	\$19	\$9
Unrestricted Grants-in-Aid	\$7,912	\$8,092	\$7,956	\$7,347	\$7,115	\$6,900	\$6,900	\$6,900
Restricted Grants-in-Aid	\$750	\$760	\$725	\$960	\$1,204	\$1,419	\$1,419	\$1,419
Property Tax Allocation	\$531	\$565	\$522	\$1,028	\$1,170	\$1,271	\$1,371	\$1,397
All Other Revenues	\$221	\$930	\$851	\$843	\$851	\$860	\$868	\$877
<i>Total Revenues</i>	\$16,384	\$17,594	\$17,641	\$17,665	\$18,004	\$18,325	\$18,611	\$18,877
<b>Other Financing Sources:</b>								
Proceeds from Sale of Notes		\$1,500	\$1,000					
Operating Transfers-In	\$646	\$2,348	\$1,582					
Advances-In	\$15	\$255	\$9	\$67	\$10	\$10	\$10	\$10
All Other Financial Sources	\$29	\$12	\$10		\$5	\$10	\$10	\$10
<i>Total Other Financing Sources</i>	\$692	\$4,116	\$2,602	\$67	\$15	\$20	\$20	\$20
<b>Total Revenues and Other Financing Sources</b>	<b>\$17,077</b>	<b>\$21,710</b>	<b>\$20,243</b>	<b>\$17,733</b>	<b>\$18,019</b>	<b>\$18,345</b>	<b>\$18,631</b>	<b>\$18,897</b>
<b>Expenditures:</b>								
Personal Services	\$9,437	\$9,468	\$9,499	\$9,480	\$9,622	\$9,767	\$9,913	\$10,062
Employees' Retirement/Insurance Benefits	\$4,761	\$4,874	\$4,377	\$5,461	\$5,485	\$5,567	\$5,650	\$5,735
Purchased Services	\$1,083	\$2,373	\$2,301	\$2,356	\$2,427	\$2,500	\$2,575	\$2,652
Supplies and Materials	\$697	\$672	\$735	\$865	\$746	\$769	\$792	\$815
Capital Outlay	\$146	\$662	\$436	\$914	\$154	\$360	\$360	\$360
<b>Debt Service:</b>								
Principal-HB 264 Loans	\$135	\$1,500	\$1,000					
Interest and Fiscal Charges	\$3	\$6	\$7					
Other Objects	\$258	\$438	\$453	\$428	\$441	\$454	\$468	\$482
<i>Total Expenditures</i>	\$16,523	\$19,997	\$18,811	\$19,507	\$18,877	\$19,418	\$19,760	\$20,109
<b>Other Financing Uses</b>								
Operational Transfers-Out	\$678	\$2,504	\$1,634	\$148	\$100	\$100	\$100	\$100
Advances-Out	\$129	\$130	\$74					
All Other Financing Uses				\$171				
<i>Total Other Financing Uses</i>	\$807	\$2,635	\$1,708	\$319	\$100	\$100	\$100	\$100
<b>Total Expenditures and Other Financing Uses</b>	<b>\$17,330</b>	<b>\$22,632</b>	<b>\$20,519</b>	<b>\$19,826</b>	<b>\$18,977</b>	<b>\$19,518</b>	<b>\$19,860</b>	<b>\$20,209</b>
<b>Result of Operations (Net)</b>	<b>\$(253)</b>	<b>\$(921)</b>	<b>\$(276)</b>	<b>\$(2,093)</b>	<b>\$(958)</b>	<b>\$(1,173)</b>	<b>\$(1,228)</b>	<b>\$(1,311)</b>
Balance July 1	\$1,652	\$1,398	\$476	\$200	\$(1,893)	\$(2,851)	\$(4,024)	\$(5,253)
Cash Balance June 30	\$1,398	\$476	\$200	\$(1,893)	\$(2,851)	\$(4,024)	\$(5,253)	\$(6,565)
Estimated Encumbrances June 30	\$379	\$91						
<b>Reservation of Fund Balance</b>								
Fund Balance June 30 for Certification of Appropriations	\$1,019	\$384	\$200	\$(1,893)	\$(2,851)	\$(4,024)	\$(5,253)	\$(6,565)

Source: Edison LSD

The financial forecast presented in **Table 2-4** shows projected revenues, expenditures, and ending fund balances for the General Fund for each of the fiscal years ending June 30, 2007 through June 30, 2011. According to the five-year forecast, the District is projecting a negative unreserved fund balance. The deficit is projected to be approximately \$1.9 million in FY 2006-07 and grow to \$6.6 million by FY 2010-11.

The Treasurer developed the assumptions and methodology disclosed in this section. AOS analyzed the assumptions and methodologies and recommended changes as necessary. By its nature, forecasting requires estimates of future events. Therefore, differences between projected and actual revenues and expenditures are common as circumstances and conditions frequently do not occur as expected.

The Treasurer developed a document listing the forecast assumptions and made it available to stakeholders through the ODE web site. The District's assumptions were determined to be reasonable in several areas. However, some areas warrant additional examination, and, in these areas, revised projections were applied to the adjusted forecast presented in **Table 2-11**. These include the following:

- General Property Tax (Real Estate), Tangible Personal Property Tax, and Property Tax Allocation (**R2.4**);
- State Foundation (**R2.5**);
- Personal Services (**R2.6**);
- Employees Retirement/Insurance Benefits (ERIB) (**R2.7**);
- Purchased Services (**R2.8**); and
- Supplies and Materials (**R2.9**).

## Recommendations

**R2.1 Edison LSD should maintain and publish a clearly written, multi-year strategic plan to provide vision and direction. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP), and other operational areas of the District. In developing the strategic plan, the Board should identify and formally adopt a limited number of District priorities to guide its strategies and major financial and program decisions while instructing staff on how these priorities should be considered when making program and budget decisions. The strategic plan should clearly delineate the District's goals and objectives, and the strategies for achieving them; the priorities the Board assigns to its goals, objectives, and strategies; the performance measures and standards used to judge progress toward meeting its goals; and the entities or departments responsible for implementing the strategies in the plan along with the time frames for implementation.**

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

The District has not developed a multi-year strategic plan incorporating all elements of its operations. According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), entities should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment and revenues. Accordingly, the District should take the following actions.

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

The strategic plan is adopted as part of each school's improvement plan, which links State and district educational and operational goals. The goals, objectives, and strategies of the strategic plan are listed in their order of importance. By implementing a strategic plan, the District can gain a better perspective on its future financial needs and develop a more

comprehensive approach to balancing its finances with its educational direction. In addition, a strategic plan could potentially result in the following:

- Improve communication between the school department, community, and town officials;
- Provide direction for the school board;
- Align other planning processes to the district-wide strategic plan;
- Create a willingness of staff to work on school improvement of prioritized goals;
- Establish uniformity among staff in working toward accomplishment of prioritized goals; and
- Align the budget process with strategic plan goals and objective.

Other operational areas of the District should provide input to the strategic planning process with specific information about particular operations. At a minimum Edison LSD should include the staffing plan (discussed in **R3.8**), the comprehensive facilities master plan (**R4.3**), the bus replacement plan (**R5.5**), and the technology plan discussed in the **technology** section.

**R2.2 Edison LSD should expand the financial policies and procedures pertaining to fiscal planning by requiring the development of alternative scenarios in conjunction with the five-year forecast. Alternative scenarios would help the District better consider uncertainties in economic conditions, State funding, enrollment, and unforeseen expenditures. The policy should address key forecast factors, including stakeholder responsibility for providing information, periods covered, supporting assumptions, presentation, and any outside consultation. In addition, the documented financial planning policies and procedures should be reviewed periodically according to a schedule and be promptly updated when changes occur.**

The District has not established financial management policies that reference preparation of the State-mandated five-year financial forecast. The District's forecast was examined and several areas warranted potential recalculation. These recalculations were a result of the District's calculations reflecting best case scenarios which could result in Edison LSD being unprepared for revenue shortfalls or expenditure overruns.

Financial planning plays an important role in governmental operations. It expands a government's awareness of its financial options, potential problems, and opportunities. In addition, the long-term revenues, expenditures, and service implications of continuing or ending existing programs or adding new programs, services, and debt can also be identified through financial planning. Finally, the financial planning process helps with decision making and permits necessary and corrective actions to be taken before financial problems become severe.

*Best Practices in Public Budgeting: Evaluate the Effect of Changes to Revenue Sources Rates and Base* (GFOA, 2000), recommends that entities develop projections (like the five-year forecast) under alternative scenarios. Preparing projections under different assumptions, particularly when developing a financial plan (forecast), allows decision makers to consider various levels of revenues, which can help determine levels of services to be implemented, continued, or reduced.

Although the Treasurer's five-year forecast provides decision makers with relevant information, implementing a policy to include alternative five-year forecasts under different assumptions or scenarios would provide the Board an opportunity to evaluate best and worst case scenarios.

**R2.3 To improve its internal controls, Edison LSD should establish formal policies and procedures for time and attendance and communicate them to District employees. Well defined internal controls help provide accountability and ensure that accurate reporting of exception-based time and attendance is occurring.**

Edison LSD has established undocumented procedures for collecting, monitoring, and reporting exception-based time and attendance data. Time sheets are submitted if the employee is using leave or if they have earned overtime. These time sheets are approved by the employee's department supervisor. The District's exception-based time worksheets are also used by the Payroll Department to determine if the employee should be paid for leave use. The District requires pre-approval for leave, with the exception of sick leave.

According to the United States Government Accountability Office (GAO) publication, *Maintaining Effective Controls over Employees Time and Attendance Reporting* (2003), time and attendance reporting should have a structured flow with clearly written and communicated policies and procedures setting fourth the responsibilities of employees, timekeepers, supervisors, and others regarding recording, examining, approving, and reporting of time and attendance. The following are some examples of policies and procedures that should be written and communicated to employees:

**Supervisory Approval:** The approval process should include a supervisor's signature verifying the time and attendance of each employee based on an agreed upon schedule.

*Since Edison LSD operates on the exception basis, this approval process would be verifying leave usage rather than actual time worked.*

**Authorizing Employee's Work Schedule:** Employee work schedules should be approved by the supervisor or the official most aware of the employees' schedule.

**Leave Approval:** Approval of leave should be made by the employee's supervisor or other designated approving official before the leave is taken.

**Adjustment or Corrections after the Time and Attendance Period Ends:** If changes are made after information was approved, adjustments and corrections should be processed promptly and be traceable to the pay period to which the corrections apply.

Internal controls over the time and attendance process provide a controlled environment that can be monitored and evaluated. The District has a standard review process in place for reconciliation of payroll runs. However, a documented and formal process also raises the level of accountability and ensures that accurate reporting of exception-based time and attendance is taking place. Without a documented process, Edison LSD may not be receiving accurate time and attendance information, which could affect its payroll process.

**R2.4 Edison LSD should update its property tax projections, including the related cumulative effects throughout the forecast period for general property tax, tangible personal property tax, property tax allocation, and property tax renewal/replacement of levies. The projections should also be updated to account for the expiration of the emergency operating levy in FY 2010-11. Furthermore, the District should account for reallocation of the fixed sum emergency operating levy due to the effects of HB 66.**

**General Property Tax:**

General property tax includes local revenue collections paid to the District from residential real estate taxes, public utility property taxes, and manufactured home taxes. General property tax collections represented approximately 24.5 percent of the District's general operating revenue in FY 2005-06, and were projected to be approximately 24.7 percent in FY 2006-07.

General property tax increased by an average 3.5 percent during the past three fiscal years. Edison LSD's FY 2006-07 general property tax projections are based on the certificate of estimated resources provided by the Jefferson County Auditor's Office. The estimate is approximately 4.0 percent greater than the FY 2005-06 actual collections. The majority of this increase is due to a reappraisal that took place in 2006. The District's projections for FY 2007-08, FY 2009-10 and FY 2010-11 include a 3.0 percent increase over the prior year projections. This increase is based on historical trends, phase in of the reappraisal, and new construction. However, the FY 2008-09 projection includes a 4.0 percent increase over FY 2007-08 projections, which takes into account the triennial update and new construction.

Although the District has accounted for the major components that should be considered in projecting general property tax, it has not considered the expiration of the emergency operating levy in FY 2010-11 and the increased collections from the fixed-sum emergency operating levy. Adjusted FY 2006-07 assumptions include projections provided by the Jefferson County Auditor's Office, as well as an adjustment made to the utility deregulation payment in the amount of \$76,000 in FY 2006-07.<sup>3</sup>

**Tangible Personal Property Taxes (TPPT):**

TPPT is paid by businesses based on the assessed value of the furniture and fixtures, machinery and equipment, supplies, and inventory used in conducting their business. TPPT represented approximately 2.8 percent of the District's general operating revenue in FY 2005-06. In FY 2006-07, the District projects TPPT to be approximately 1.1 percent of the general operating revenue. HB 66 phases out the TPPT by reducing the yearly assessed valuation rates for general businesses, telephone and telecommunications companies, and railroads. The tax is phased out by reducing the assessment rate on the property each year. At the same time, the bill replaces the revenue lost in the first five years (the Hold-Harmless Period). However, in the following seven years, the reimbursement is phased out (Phase-Out Period).

Excluding a payment made in error by a local business with a tax exemption, Edison LSD's TPPT collections increased by an average of 4.8 percent but the District is expecting to experience a significant decrease in TPPT over the forecast period. Although the District's TPPT projections are based on the ODE reimbursement worksheet, the District needs to account for revenues generated by the fixed-sum emergency operating levies, which do not qualify for the reimbursement. Similar to general property tax, the Jefferson County Auditor's Office projections have been adjusted to account for the difference in the utility deregulation payment. Furthermore, the performance audit adjustments also account for the revenues generated by the emergency operating levy, at the phase out rate determined by HB 66 and revise FY 2010-11 projections to account for the required renewal of the fixed-sum emergency operating levy.

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<sup>3</sup> Edison LSD used the Ohio Department of Taxation's school fixed-sum reimbursements amounts which was calculated at \$380,205 based on the fixed-sum emergency operating levy. This amount did not account for the \$76,000 reduction.

**Property Tax Allocation:**

Property tax allocation (PTA) is revenue received from the State due to homestead exemption legislation, property tax rollback legislation, and personal property tax exemptions. In addition, starting in FY 2005-06 PTA includes the State reimbursement due to the effects of HB 66 and, starting in FY 2006-07, electric deregulation reimbursements will be recorded in PTA. In FY 2005-06, PTA revenue represented approximately 4.2 percent of the District's general operating revenue and is projected to be approximately 5.8 percent in FY 2006-07.

Edison LSD experienced an average increase of 1.3 percent in PTA over the past three fiscal years. This increase has a direct relationship to the increases in general property tax. The District has projected an increase of approximately 25.8 percent over the forecast period. A 96.8 percent increase is projected for FY 2006-07, due to changes made by ODE and AOS to the receipt code for the electric deregulation, and to coding HB 66 reimbursements in PTA. The District's assumptions for projecting property tax allocation are based on the following:

- FY 2006-07 projections include the State reimbursement due to the phase out of tangible personal property tax, electric deregulation and the millage rollback. The reimbursement rates are determined by the TPPT reimbursement. The reimbursement amount for FY 2006-07 is approximately \$116,753. Furthermore, ODE has suggested that school districts with electric plants within their boundaries continue to receive the electric deregulation reimbursements for emergency levies, despite the phase out ending FY 2006-07. Therefore, future projections include approximately \$380,000 of electric deregulation reimbursement per year.
- FY 2007-08 through FY 2010-11 is projected in a manner similar to FY 2006-07. However, the State reimbursement rates will change according to the TPPT reimbursement worksheet to \$101,440 in FY 2007-08, \$110,908 in FY 2008-09, \$128,713 in FY 2009-10, and \$53,533 in FY 2010-11.

Although the District's PTA projections seem reasonable, they have been revised due to changes in general property tax projections and the millage rollback percentage, which was based on historical collections of 8.0 percent. In addition, adjustments were made to account for the loss of rollback for real property used in business resulting from the effects of HB 66. Further adjustments were also made in FY 2010-11 to account for the loss of the fixed-sum emergency operating levy and show it on a line designated by ODE.

**Property Tax Renewal/Replacement of Levies:**

Since the District has not accounted for the loss of the fixed-sum emergency operating levy, the potential loss of revenues has been reallocated to property tax renewal / replacement of levies, in addition to the cumulative effect of the levies.

Table 2-5 shows the net difference, by fiscal year, between the revised projections and the District's projections for general property tax, tangible personal property tax, property tax allocation, and cumulative balance of replacement / renewal of levies.

**Table 2-5: Local Revenues**

Edison LSD Projections					
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
General Property Tax	\$7,279,509	\$7,497,894	\$7,797,810	\$8,031,744	\$8,272,697
Tangible Personal Property Tax	\$206,806	\$164,293	\$76,487	\$19,500	\$9,750
Property Tax Allocation	\$1,028,361	\$1,170,926	\$1,271,360	\$1,371,806	\$1,397,689
Cumulative Balance of Replacement / Renewal of Levies	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$8,514,676</b>	<b>\$8,833,113</b>	<b>\$9,145,657</b>	<b>\$9,423,050</b>	<b>\$9,680,136</b>
Revised Projections					
General Property Tax	\$7,279,509	\$7,498,300	\$7,799,026	\$8,033,499	\$7,950,496
Tangible Personal Property Tax	\$208,909	\$165,954	\$77,268	\$9,695	\$9,799
Property Tax Allocation	\$1,078,994	\$1,081,175	\$1,114,687	\$1,151,240	\$877,132
Cumulative Balance of Replacement / Renewal of Levies	\$0	\$0	\$0	\$0	\$542,294
<b>Total</b>	<b>\$8,567,412</b>	<b>\$8,745,429</b>	<b>\$8,990,981</b>	<b>\$9,204,434</b>	<b>\$9,379,722</b>
<b>Net Impact on Fund Balance</b>	<b>\$52,736</b>	<b>(\$87,684)</b>	<b>(\$154,676)</b>	<b>(\$218,616)</b>	<b>(\$300,414)</b>

Source: Edison LSD and AOS

The revised revenue assumptions will have a cumulative negative impact on the ending fund balance of approximately \$709,000.

**R2.5 Edison LSD should revise its projections for restricted and unrestricted grants-in-aid (State Foundation) and include alternative scenarios in its projections. Due to the financial situation of the District, the Board may want to apply a more historically-based increase for State funding. Projections based on historical increases are more likely to accurately reflect future trends in this line-item.**

State funding is comprised of unrestricted and restricted grants-in-aid received from the State of Ohio through the State Foundation program. The funding levels are established by the Ohio General Assembly and administered by ODE. State Foundation payments represented approximately 42.8 percent of total revenue for the District in FY 2005-06,

and it is projected to be 46.8 percent of revenues in FY 2006-07. The District's assumptions for projecting State funding are based on the following:

- FY 2006-07, FY 2007-08, and FY 2008-09 State funding projections are based on the Ohio Department of Education's Foundation Settlement Report, dated November 05, 2006, which was generated by ODE. These reports give a projection of the District's State aid, which is subject to change after the October and June enrollment counts.
- FY 2009-10 and FY 2010-11 State Foundation amounts reflect FY 2008-09 projected amounts with no inflationary increase.

Due to the timing of the Performance Audit and ODE's simulations, several items within the SF-3 have changed; therefore, projections were revised based on updated information for FY 2007-08 and FY 2008-09. Also, it appears the projections may be understated for FY 2009-10 and FY 2010-11.<sup>4</sup>

Although the District cannot project State funding rates in future years with absolute certainty, alternative scenarios will allow Board members and administrators to determine which approach is more appropriate depending upon the financial situation and the educational goals of the District. Edison LSD might consider developing projections using ODE's Foundation Report for FY 2006-07, and then applying historical trends and known factors, such as State Foundation rates and ADM, when projecting unrestricted and restricted grants-in-aid for the remainder of the forecast. The following assumptions were used to calculate the revised projections:

- **ADM:** ADM was projected using historical numbers for the past four fiscal years and the projected ADM for the current fiscal year. It was assumed that ADM would decrease at a rate of approximately 2.7 percent per year during the forecast period.
- **State Foundation:** The State Foundation amount per ADM was projected based upon a historical increase of approximately 2.2 percent. Also, FY 2007-08 is the first year that districts will not receive the cost of doing business factor and, as a result, this adjustment was not applied to future years.

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<sup>4</sup> After the conclusion of fieldwork, the General Assembly passed HB 119 which contained new formula amounts. Edison LSD will need to update its October forecast with these amounts.

- **Adjusted Recognized Valuation:** The adjusted recognized property valuation was considered in the revised projections of State aid. Valuation losses were considered, while increases were included for new construction, as well as property value reappraisals and updates based upon historical valuation amounts.
- **Special Educational Weighted Amounts:** Historically, special educational weighted amounts increased by an average of 0.6 percent annually. This amount was applied to the revised projections.
- **Career Tech/Adult Education:** Career tech/adult education has had an average annual increase of 10.6 percent over the past five years, excluding FY 2004-05 which had a decrease of 27.1 percent.
- **Other Categorical Items:** The majority of the remaining line items calculated in the SF-3 not mentioned above were based on historical trends and known factors.

**Table 2-6** shows the net difference, by fiscal year, between the revised projections of unrestricted and restricted grants-in-aid and the District's five-year forecast.

**Table 2-6: Unrestricted/Restricted Grants-in-Aid**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Districts Forecasted Amounts</b>				
<b>Unrestricted Grants-in-Aids</b>	\$7,115,187	\$6,900,030	\$6,900,030	\$6,900,030
<b>Restricted Grants-in-Aids</b>	\$1,204,396	\$1,419,553	\$1,419,553	\$1,419,553
<b>Revised Amounts</b>				
<b>Unrestricted Grants-in-Aids</b>	\$7,285,465	\$7,192,995	\$7,033,076	\$6,943,630
<b>Restricted Grants-in-Aids</b>	\$1,019,323	\$1,239,933	\$1,509,592	\$1,839,349
<b>Net Impact</b>	<b>\$(14,795)</b>	<b>\$113,345</b>	<b>\$223,085</b>	<b>\$463,396</b>

Source: Edison LSD and AOS

**Table 2-6** projects a cumulative increase over the District's projections of approximately \$785,000 during the forecasted period, which is shown as an adjustment in **Table 2-11**.

**R2.6 Edison LSD should consider revising its assumptions and updating its projections for personal services. Specifically, the District should consider updating the assumptions to include a negotiated wage increase. Although the District has been able to negotiate a zero percent increase, it is unlikely that it can sustain this throughout the forecast period. Therefore, the District should consider including a percentage increase in FY 2008-09 through FY 2010-11 for forecasting purposes.**

Personal services represented approximately 46.2 percent of the District's FY 2005-06 general operating expenditures, and are projected to be approximately 47.8 percent of the District's FY 2006-07 general operating expenditures. Personal services consist of employee wages, substitute costs, supplemental contracts, severance pay, and overtime costs.

Personal Services increased by an average of approximately \$31,000 per year during the past three fiscal years. The majority of this increase can be attributed to step increases, which are negotiated for both classified and certificated employees. Furthermore, due to the District's financial position, the personal services average increase has been limited, due to a zero to 1 percent negotiated wage increase for several fiscal years. The District's assumptions for projecting personal services in FY 2006-07 are based on individual data for approximately 291 employees. The projections include costs such as the employee's longevity pay, base salary and/or contracted salary amounts, and educational level for certificated staff. FY 2007-08 through FY 2010-11 projections start with the projected expenditures for the previous fiscal year, and assume an additional 1.5 percent for average salary schedule step increases. The projections do not take into account any negotiated wage increases due to the District's financial situation.

Although the District's projections seem reasonable based on individual data, it is somewhat optimistic to assume the District will be able to negotiate a zero percent wage increase for four consecutive years. Therefore, AOS has assumed a 2.0 percent negotiated wage increase in FY 2008-09 through FY 2010-11 for certificated, classified, and administrative employees. Furthermore, the 2.0 percent increase will bring Edison LSD within 16.5 percent of the peer average salary. Edison LSD's average salary would be 21.3 percent lower than the peer average salary without the 2.0 percent increase.

**Table 2-7** shows the difference between the revised assumptions and the District's personal services projected amounts.

**Table 2-7: Personal Services**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>District's Projections</b>					
Personal Services	\$9,480,664	\$9,622,874	\$9,767,217	\$9,913,725	\$10,062,431
<b>Revised Amounts</b>					
Personal services	\$9,480,664	\$9,622,874	\$9,962,561	\$10,314,240	\$10,678,333
<b>Net Impact on Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$(195,344)</b>	<b>\$(400,515)</b>	<b>\$(615,902)</b>

Source: Edison LSD and AOS

**Table 2-7** shows an increase in personal service expenditures from FY 2008-09 through FY 2010-11, for a negative cumulative effect of \$1.2 million. The adjusted amount for each fiscal year is shown in **Table 2-11**.

**R2.7 Edison LSD should consider revising its assumptions and updating its projections for employee retirement/insurance benefits (ERIB). Specifically, the Treasurer should project ERIB on a per-object basis and consider using the Ohio Education Association (OEA) average percentage increase in health insurance of 13.0 percent.**

ERIB includes the cost of employee health insurance, retirement, Medicare, workers compensation, life insurance, and dental insurance. ERIB represents approximately 21.3 percent of the District's FY 2005-06 general operating expenditures, and it is projected to be approximately 27.5 percent of FY 2006-07 general operating expenditures.

ERIB expenditures have increased by an average 3.7 percent over the past three fiscal years. However, expenditures decreased by approximately 10.2 percent in FY 2005-06 due to a reduction in force. The District's assumptions for ERIB for FY 2006-07 include retirement projections, increases in health care costs, tuition reimbursement, workers' compensation, and unemployment. FY 2007-08 projections include a 0.4 percent increase over FY 2006-07, while in FY 2008-09 through FY 2010-11 a 1.5 percent increase is projected.

District projections would benefit from up-to-date information and by breaking out the analysis of object codes within the ERIB category. Furthermore, FY 2007-08 through FY 2010-11 ERIB projections should be updated with more realistic increases in health insurance costs. The following are major considerations that should be included when updating ERIB:

- Historically, retirement represents approximately 14.2 percent of personal services. Therefore, 14.2 percent was applied to the revised personal services projections through the forecast period and is included in the revised benefit amounts.
- In the revised projections, the increase in FY 2005-06 insurance costs and year-to-date amounts were used to project FY 2006-07. Furthermore, the Ohio Education Association's average 13.0 percent increase in insurance costs was applied to this line item and carried through the forecast period.
- Workers' compensation is based on FY 2005-06 actual costs, plus annual 3 percent increases throughout the forecast period, based on historical expenditures and inflationary values. Tuition reimbursement has increased throughout the

years; therefore it was increased by 3.0 percent throughout the forecast period, based on year-to-date information. Unemployment has historically varied; therefore a percentage increase trend could not be identified and it was held constant at \$10,000 based on prior year amounts.

Table 2-8 shows revised ERIB projections.

**Table 2-8: ERIB**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>District's Projections</b>	\$5,461,257	\$5,485,038	\$5,567,314	\$5,650,823	\$5,735,586
<b>Revised Projections</b>	\$5,124,760	\$5,627,955	\$6,220,788	\$6,885,878	\$7,632,450
<b>Net Difference</b>	<b>\$(336,497)</b>	<b>\$142,917</b>	<b>\$653,474</b>	<b>\$1,235,055</b>	<b>\$1,896,864</b>

Source: Edison LSD and AOS.

Table 2-8 shows a decrease in expenditures for FY 2006-07 and an increase in FY 2007-08 through FY 2010-11, for a cumulative change of \$3.6 million.

**R2.8 Edison LSD should review and adjust its forecast assumptions for the projections of purchased services from FY 2006-07 through FY 2010-11. Although future trends may be difficult to predict for selected purchased services, the assumptions should be presented and the projections made in a manner that accounts for each object code within the line item.**

Purchased services represented approximately 11.2 percent of the District's FY 2005-06 General Fund expenditures, and are projected to be approximately 11.8 percent in FY 2006-07. The purchased service category accounts for fixed-cost items such as utilities (electricity, gas, water, and telephone) and property insurance. Other items in this area include open enrollment payments, leases, repairs and maintenance, postage, legal fees, and staff development.

Purchased services increased by 35.2 percent over the past three fiscal years. The majority of the increase occurred in FY 2004-05 and can be attributed to the coding change for open enrollment payments to other districts. Also, the District experienced a 31.5 percent increase in natural gas prices in FY 2005-06. However, it was able to control discretionary expenditures, such as professional and technical services, communications, and other purchased services to help offset the cost increase.

The District's assumptions for projecting purchased services in FY 2006-07 includes a 2.4 percent increase over the FY 2005-06 actual amount, which represents current appropriations. The FY 2007-08 through FY 2010-11 projections include a flat 3.0 percent increase over prior years to account for inflation. The District's annual

percentage increase during the forecasted period does not account for historical and reasonable changes in items such as tuition payments and utility costs.

The revised purchased service projections include several factors, which are as follows:

- One of the most difficult objects to project in purchased services is tuition payments to other schools. Edison LSD's tuition payments increased by approximately 10.0 percent, from FY 2004-05 to FY 2005-06. Since this increase in tuition payment is not typical compared to prior periods, AOS has applied an increase of 3.0 percent per year, based on inflationary factors and prior year amounts.
- The revised projections include a 10.0 percent increase in natural gas costs, and a more aggressive 5.0 percent increase in electricity and water through the forecasted period. This reflects recent increases in the cost of utilities.
- Other expenditures such as professional and technical services, property services, travel mileage, communication, pupil transportation services, and other purchased services could be expected to increase at about the historical average. Nonetheless, AOS's revised projection conservatively assumes an inflationary increase in other expenditures of 3.0 percent per year through the forecast period.

**Table 2-9** shows the revised purchase services projection using the updated assumptions.

**Table 2-9: Purchased Services**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-2011
<b>Projected Amounts</b>					
<b>Purchased Services</b>	\$2,356,999	\$2,427,709	\$2,500,540	\$2,575,556	\$2,652,823
<b>Revised Amounts</b>					
<b>Purchased Services</b>	\$2,397,368	\$2,498,699	\$2,605,793	\$2,719,083	\$2,839,043
<b>Net Impact on Fund Balance</b>	<b>\$40,369</b>	<b>\$70,990</b>	<b>\$105,253</b>	<b>\$143,527</b>	<b>\$186,220</b>

Source: Edison LSD and AOS

The revised amounts take into consideration all expenditures within the purchased services category. **Table 2-11** reflects the revised projections for purchased services.

**R2.9 Edison LSD should consider revising its assumptions and updating its projections for supplies and materials. In an effort to increase the reliability of financial information used for decision-making, the Treasurer should update the projections using the most current and complete information available. Specifically, the Treasurer should project supplies and materials on an object code basis, increase**

**supplies and materials by the projected textbook set-aside requirements, and increase FY 2007-08 expenditures to make up the textbook set-aside deficit.**

**During the course of the audit, Edison LSD requested ODE waive the set-aside requirement for text books as the District has a formal replacement plan that does not require funding in FY 2007-08. Furthermore, District administrators indicated that future resource allocations for classroom materials would increasingly include technology-based resources.**

The supplies and materials category includes instructional and non-instructional supplies and materials, such as general supplies, textbooks, library books, newspapers, operating maintenance and repairs to plant, and other supplies and materials. Edison LSD spent approximately 3.5 percent of its operating expenditures on supplies and materials in FY 2005-06, and is expecting to spend 4.3 percent in FY 2006-07.

The District's supply and material expenditures increased by an annual average of 2.4 percent from FY 2003-04 to FY 2005-06. The District's projection for FY 2006-07 includes a 3.0 percent increase over the FY 2005-06 amounts, with increases in textbook expenditures of approximately \$94,000. Beginning in FY 2007-08, the forecast period includes a flat 3.0 percent annual increase and excludes \$94,000 in textbook purchases.

In order to ensure more accurate projections, the line items for supplies and materials should be projected on a per object basis. In addition, the District should account for textbook purchases according to ORC §3315.17. The following are major assumptions that should be considered when updating supplies and materials:

- The District has experienced a decrease in expenditures for general supplies, library books, and newspapers during the past three fiscal years. It is reasonable to assume that spending levels will increase to sustain operational and or functional programs. Therefore, the revised projection increases these line items by 3.0 percent per year, similar to the District's methodology.
- Operation, maintenance, and repairs to motor expenditures have increased by an average of 16.2 percent per year over the past three fiscal years. Due to the discretionary nature of this line item and the District's financial situation, the revised projection uses a more conservative increase of 10.0 percent per year. With this conservative increase, the District should closely monitor year-to-date expenses and adjust the line item accordingly in the event that it spends at a faster rate than the projected amounts.

- Revised projections for textbooks include a reduction in expenditures for FY 2007-08 to FY 2005-06 amounts plus a 3 percent increase that is carried through the forecast period. Furthermore, AOS has adjusted the projections to include amounts needed to meet the textbook set-aside requirements based upon enrollment projections and projected State Foundation amounts. Although Ohio Administrative Code (OAC) 3301-92-01 allows districts to allocate set-aside monies for items other than textbooks, the additional expenditures are applied to textbook purchases. Edison LSD should determine in which areas the additional expenditures should be allocated that best meet the mission and overall objectives of the District. Based upon projections of carry over set-asides, the current year set-aside requirement, and qualifying disbursements, the District will need to spend an additional \$279,829 in FY 2007-08, \$44,899 in FY 2008-09, \$44,648 in FY 2009-10, and \$44,392 in FY 2010-11.

**Table 2-10** shows the original and revised supply and material projections.

**Table 2-10: Supplies and Materials**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-2011
<b>Projected Amounts</b>					
<b>Supplies and Materials</b>	\$865,067	\$746,653	\$769,053	\$792,124	\$815,888
<b>Revised Amounts</b>					
<b>Supplies and Materials</b>	\$855,691	\$1,095,467	\$909,640	\$962,428	\$1,019,513
<b>Net Impact on Fund Balance</b>	<b>\$(9,376)<sup>1</sup></b>	<b>\$348,814</b>	<b>\$140,587</b>	<b>\$170,304</b>	<b>\$203,625</b>

Source: Edison LSD and AOS

<sup>1</sup> The net difference in FY 2006-07 will not be included in the revised forecast because of the limited effect (less than 1 percent of FY 2007-08).

**Table 2-10** shows an increase in expenditures for each fiscal year for the forecasted period, for a cumulative increase of \$853,954.

**R2.10 Edison LSD should develop a comprehensive set of financial policies that are based on recommended best practices. Once a comprehensive set of financial policies has been developed and adopted by the Board, the District should ensure that its financial and budgetary practices are consistent with these policies.**

The District has established financial policies within its Board Policies. However, the financial policies do not include some best practices recommended by GFOA. Specifically, financial policies should be consistent with broad government goals and should be the outcome of sound analysis. Policies should also be consistent with each other and relationships between policies should be identified. Financial policies should be an integral part of the development of service, capital, and financial plans, as well as the overall budgeting process. The Audit Committee of the Board of Education should also

be included in developing and reviewing these financial documents. All other adopted budgetary practices should be consistent with these policies. To ensure that its financial management practices follow recommended guidelines, Edison LSD should adopt and implement the following GFOA-recommended policies and practices:

- **Budget Stabilization Funds** - A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes. Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.
- **Debt Issuance and Management** - A government should adopt policies to guide the issuance and management of debt. Issuing debt commits a government's revenues several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to a debt policy helps ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.
- **Debt Level and Capacity** - A government should adopt a policy on the maximum amount of debt and debt service that should be outstanding at any one time. Policies guiding the amount of debt that may be issued by a government help ensure that outstanding and planned debt levels do not exceed an amount that can be supported by the existing and projected tax and revenue base.
- **Use of Unpredictable Revenues** - A government should identify major revenue sources it considers unpredictable and define how these revenues may be used. Particularly with major revenue sources, it is important to consider how significant variations in revenue receipts will affect the government's financial outlook and ability to operate programs in the current and future budget periods.
- **Balancing the Operating Budget** – A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstance, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs.
- **Revenue Diversification** - A government should adopt a policy that encourages diversity of revenue sources. All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on tax and taxpayers. Diversity in revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.

- **Contingency Planning** - A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. When emergencies or unexpected events occur, having a policy that can be applied, or at least serve as a starting point, for financial decisions and actions improves the ability of a government to take timely action and aids in the overall management of such situations.

Inclusion of the comprehensive policies recommended by GFOA could help Edison LSD better manage its limited resources and help ensure consistency in financial practices. Such policies can also help the District operate smoothly, can be used as a tool for financial decision making, and can improve the ability of a school district to take timely action. In addition, financial policies aid in the overall management of the budget and achievement of the District's long-range goals.

**R2.11 Edison LSD should consider developing and releasing a comprehensive annual financial report (CAFR) and a popular annual financial report (PAFR). The District should also ensure that these reports are publicized online, made available at the public library, and mailed to major businesses. The release of the CAFR and PAFR should be announced through a press release in the local newspaper. These reports should also be reviewed by Board members and administrators within the District, with copies made available to the public upon request.**

Edison LSD does not publish either a CAFR or a PAFR because of the cost of developing and publishing these reports. However, CAFRs and PAFRs provide stakeholders with insight into operations and help them better understand a district's financial operation.

According to GFOA, governments should develop a CAFR. A CAFR is an unparalleled means of demonstrating financial accountability, as recognized by the National Council of Governmental Accounting (NCGA) and reiterated by the Governmental Accounting Standards Board (GASB). Berkshire Local School District (Geauga County) develops a CAFR that is released with its annual financial audit, while Westerville City School District (Franklin County) develops both a CAFR and PAFR. These reports are used by community members, Board members, staff, and local businesses as informative tools to gain an insight into the financial operations of the District.

Although there are costs associated with printing and distributing these documents, some components of this work can be performed in house. The Treasurer's Office could develop the CAFR and the tables and graphs associated with the PAFR. While in fiscal oversight, the District could publish these documents on its web site in electronic form. Using electronic media to publish the CAFR and PAFR would greatly reduce the cost to produce and distribute these reports to District residents.

**R2.12 Edison LSD should increase the use of its web site to inform and educate residents about District finances. The District should provide published documents, including but not limited to budget documents, the CAFR, PAFR, and any financial reports provided to the Board, on its web site.**

**During the course of the audit, Edison LSD developed a spending plan and indicated that this would be made publicly available via its web site.**

The District web site contains information on the operational functions of the District, such as the Board of Education, food service, and transportation, as well as information about each school. Although the District has been proactive in providing the community with this type of information, there is little material available on the web site pertaining to the financial operations of the District. The information provided consists of the Treasurer's responsibilities and a breakdown of the District's revenues and expenditures from FY 2004-05.

School districts, like Wayne Trace Local School District (Paulding County), Westerville City School District (Franklin County), and Olentangy Local School District (Delaware County), provide a range of financial information on their web sites, including the following:

- **Levy Information** – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calendar, Income Tax Calculator, Ohio School District Income Tax, and a Glossary of Terms.
- **Expenditures By Object/Function** – Illustrates salary, benefit, purchased services, capital outlay, maintenance, transportation, and extracurricular expenditures.
- **Budget Appropriations** – Current Five-Year Forecast, Understanding the Five-Year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year end Analysis.
- **Taxes/Millages/Valuations** – Tax Calculator, Presentation of Governor's Blue Ribbon Task Force on Student Success, County Area Effective Tax Rates (Historical Information), Tax Rate History, and Q&A on Taxes and Millage.
- **Annual Reports** – Historical information, CAFRs, and PAFRs.
- **Miscellaneous** – Audit findings, School Finance Terms, State Financial Designations, ODE Local District Report Cards, reports on enrollment, and finance or audit committee information.

By providing key financial information to District residents online, Edison LSD could increase awareness and understanding of its financial condition. It could also reduce the time needed to respond to public document requests and eliminate the cost associated

with providing the information on paper. In addition, the electronic form provides the users with a computerized tool to find, extract, and analyze data contained in these often-lengthy documents. Although staff time is required to develop the information for the web site, maintain it, and ensure it is up to date, Edison LSD could enhance the type of financial reports made available to the public through its web site at little additional cost.

**R2.13 Edison LSD should attempt to negotiate mandatory payroll direct deposit in future agreements for all employees, regardless of hire date, as well as for long-term substitute teachers. Furthermore, the District should consider mandatory electronic pay stubs for District employees. The District could realize cost savings associated with supplies and materials used to produce pay checks and stubs while improving efficiency in the Treasurer's Office. In addition, the District's employees would benefit from ease of access to and availability of historical pay stub information.<sup>5</sup>**

Edison LSD has successfully negotiated direct deposit for certificated employees hired after June 15, 2002; however employees hired before that date are not required to participate. Furthermore, the District has not been successful in requiring classified employees to participate in direct deposit.

According to the Electronic Payment Association, direct deposit can be very advantageous to both the organization and the employees. The following is a list of benefits and cost savings associated with direct deposit:

- There are fewer checks to print and store.
- Signatures are not necessary with direct deposit.
- Lost and stolen checks are eliminated.
- Financial institution service charges are reduced. Typically, it costs more to process a paper check through an organization's account than a direct deposit transaction.
- The potential for errors is reduced because direct deposit requires less manual handling than a check.
- Account reconciliation is simplified. An organization's account statement will have a single dollar amount for the total amount of the direct deposit transactions, versus individual check amounts to reconcile.
- Fraud risk is reduced because there is less potential for counterfeit checks, stolen checks or signature plates, altered amounts, and forged signatures.
- Problems with direct deposit are very rare. The chance of having a problem with a check is 20 times greater than with direct deposit.

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<sup>5</sup> The District was unable to provide an accurate direct deposit participation rate; therefore, savings could not be calculated for this recommendation.

- Administration costs can be lowered due to the elimination of manual check preparation.
- Organizations report savings of more than 40 cents in processing costs for each paper check converted to direct deposit.
- Direct deposit adds one more incentive to competitively attract employees.

While the District has saved some money from its limited direct deposit program, it still incurs the costs associated with paper pay stubs, envelopes, and stamps (during the summer months), and the time employees spend printing checks and stuffing envelopes, which could be avoided if electronic pay stubs were issued.

In addition, the Electronic Payment Association states that employers and employees can benefit monetarily from electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The employer benefits as electronic pay stubs eliminate the need to print, mail, and distribute pay stubs or reproduce lost pay stubs. The employee also benefits as he or she can easily access pay information from any computer with a browser and internet connection. Also, the employee's pay history is available, beginning with the first electronic pay stub. Moreover, electronic pay stubs make it easy for employees to provide pay stub information to third party, such as accountants, mortgage lenders, and other agencies requiring pay verification.

The Uniform School Accounting System (USAS) has the ability to produce electronic pay stubs. To implement electronic pay stubs, Edison LSD would need to verify e-mail addresses for each employee and ensure its systems are set up to process electronic pay stubs. To solve the logistical problem of computer access for employees without home computers, the District could issue e-mail addresses to these employees and allow limited access to District computers. The cost savings attributed to this recommendation could not be quantified.

**R2.14 Edison LSD should consider making the recommended adjustments to the five-year forecast and implementing the other recommendations contained in this report. Implementing the performance audit recommendations will offset projected deficits and allow the District to maintain a positive year-end balance through FY 2009-10. However, the performance audit contains recommendations that substantially reduce teaching and other educational personnel that must be made in order to avoid potential deficits. Enhancing general operating revenue and/or identifying additional savings beyond what is included in this performance audit would allow the District to make fewer reductions in programs and personnel.**

In order to minimize its projected deficit, Edison LSD must make substantial staffing reductions, as well as changes to operations. Reductions of this magnitude will likely

have a negative impact on student performance and affect the District's ability to provide some specialized programs to students. These reductions may bring staffing levels below those of the peer districts and nearer to State minimums. To hold staffing at the current levels, Edison LSD would need an additional infusion of local revenue, or face a potential deficit of approximately \$9.5 million by FY 2010-11. Currently, one mill generates between \$330,000 and \$360,000, depending upon the year. Variations are due to the effects of HB 66 and the assessed valuation rate.

By implementing the performance audit recommendations, including reductions to near State minimums and updating several forecast line items, Edison LSD can maintain a positive fund balance through FY 2009-10. **Table 2-11** demonstrates the affect on the five-year financial forecast and ending fund balances, assuming the forecast adjustments are made and all recommendations contained in this audit are implemented by FY 2007-08.

**Table 2-11: Edison Local School District Five-Year Forecast (in 000's)**

	Actual			Forecasted				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Revenue:</b>								
General Property Tax (Real Estate)	\$6,547	\$6,834	\$6,999	\$7,279	\$7,498	\$7,799	\$8,033	\$7,950
Tangible Personal Tax	\$421	\$411	\$585	\$208	\$165	\$77	\$19	\$9
Unrestricted Grants-in-Aid	\$7,912	\$8,092	\$7,956	\$7,457	\$7,285	\$7,192	\$7,033	\$6,943
Restricted Grants-in-Aid	\$750	\$760	\$725	\$846	\$1,019	\$1,239	\$1,509	\$1,839
Property Tax Allocation	\$531	\$565	\$522	\$1,078	\$1,081	\$1,114	\$1,151	\$879
All Other Revenues	\$221	\$930	\$851	\$840	\$849	\$857	\$866	\$874
<i>Total Revenues</i>	\$16,384	\$17,594	\$17,641	\$17,712	\$17,899	\$18,281	\$18,613	\$18,497
<b>Other Financing Sources:</b>								
Proceeds from Sale of Notes		\$1,500	\$1,000	\$2,571	\$0	\$0	\$0	\$0
Operating Transfers-In	\$646	\$2,348	\$1,582	\$52,587	\$54,165	\$55,790	\$57,463	\$59,187
Advances-In	\$15	\$255	\$9	\$67	\$10	\$10	\$10	\$10
All Other Financial Sources	\$29	\$12	\$10	\$18	\$5	\$10	\$10	\$10
<i>Total Other Financing Sources</i>	\$692	\$4,116	\$2,602	\$2,709	\$69	\$75	\$77	\$79
<b>Total Revenues and Other Financing Sources</b>	<b>\$17,077</b>	<b>\$21,710</b>	<b>\$20,243</b>	<b>\$20,422</b>	<b>\$17,968</b>	<b>\$18,357</b>	<b>\$18,690</b>	<b>\$18,577</b>
<b>Expenditures:</b>								
Personal Services	\$9,437	\$9,468	\$9,499	\$9,480	\$9,622	\$9,962	\$10,314	\$10,678
Employees' Retirement/Insurance Benefits	\$4,761	\$4,874	\$4,377	\$5,124	\$5,627	\$6,220	\$6,885	\$7,632
Purchased Services	\$1,083	\$2,373	\$2,301	\$2,397	\$2,498	\$2,605	\$2,719	\$2,839
Supplies and Materials	\$697	\$672	\$735	\$855	\$1,095	\$909	\$962	\$1,019
Capital Outlay	\$146	\$662	\$436	\$902	\$154	\$360	\$360	\$360
<b>Debt Service:</b>								
Principal-Notes	\$135	\$1,500	\$1,000	\$2,000	\$103	\$109	\$114	\$119
Interest and Fiscal Charges	\$3	\$6	\$7	\$28	\$2	\$18	\$13	\$8
Other Objects	\$258	\$438	\$453	\$426	\$438	\$452	\$465	\$479
<i>Total Expenditures</i>	\$16,523	\$19,997	\$18,811	\$21,215	\$19,543	\$20,638	\$21,834	\$23,136
<b>Other Financing Uses</b>								
Operational Transfers-Out	\$678	\$2,504	\$1,634	\$201	\$100	\$100	\$100	\$100
Advances-Out	\$129	\$130	\$74	\$0	\$0	\$0	\$0	\$0
All Other Financing Uses				\$171				
<i>Total Other Financing Uses</i>	\$807	\$2,635	\$1,708	\$372	\$100	\$100	\$100	\$100
<b>Performance Audit Recommendations (Savings)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$ 3,284</b>	<b>\$3,457</b>	<b>\$ 3,650</b>	<b>\$ 3,860</b>
<b>Performance Audit Recommendations (Cost)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$125</b>	<b>\$120</b>	<b>\$120</b>	<b>\$120</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$17,330</b>	<b>\$22,632</b>	<b>\$20,519</b>	<b>\$21,588</b>	<b>\$16,484</b>	<b>\$17,401</b>	<b>\$18,405</b>	<b>\$19,497</b>
<b>Result of Operations (Net)</b>	<b>\$(253)</b>	<b>\$(921)</b>	<b>\$(276)</b>	<b>\$(1,165)</b>	<b>\$1,484</b>	<b>\$ 955</b>	<b>\$285</b>	<b>\$(920)</b>
Balance July 1	\$1,652	\$1,398	\$476	\$200	\$(965)	\$519	\$1,474	\$1,760
Cash Balance June 30	\$1,398	\$476	\$200	\$(965)	\$519	\$1,474	\$1,760	\$840
Estimated Encumbrances June 30	\$379	\$91	\$0	\$0	0	0	0	0
<b>Reservation of Fund Balance</b>								
Fund Balance June 30 for Certification of Appropriations	\$1,019	\$384	\$200	\$(965)	\$519	\$1,474	\$1,760	\$ 840
Property Tax – Renewal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$542
<b>Fund Balance June 30 for Certification of Appropriations</b>	<b>\$1,019</b>	<b>\$384</b>	<b>\$200</b>	<b>\$(965)</b>	<b>\$519</b>	<b>\$1,474</b>	<b>\$1,760</b>	<b>\$1,382</b>

Source: Edison LSD and AOS

**Table 2-12** summarizes the performance audit recommendations reflected in the revised five-year forecast presented in **Table 2-11**. Recommendations are divided into two categories, those not subject to negotiation and those that are.

**Table 2-12: Summary of Performance Audit Recommendations**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Not Subject to Negotiations</b>				
<b>R3.1</b> Reduce staffing by 32 Regular Educational Teacher FTEs	\$2,220,110	\$2,355,035	\$2,504,226	\$2,665,679
<b>R3.7</b> Written Leave Policy and Monitoring	\$32,720	\$32,720	\$32,720	\$32,720
<b>R4.1</b> Close two buildings (1 elementary, 1 middle school) and reduce associated positions	\$432,900	\$432,900	\$432,900	\$432,900
<b>R4.5</b> Implement an energy management program	\$28,455	\$29,878	\$31,372	\$32,940
<b>R4.6</b> Reduce maintenance overtime	\$12,326	\$12,758	\$13,204	\$13,667
<b>R5.2</b> Eliminate 8 buses and corresponding drivers; eliminate 4 spares.	\$42,000	\$42,000	\$42,000	\$42,000
<b>R5.2</b> Reduce staffing by 8 regular bus drivers (personnel costs)	\$234,880	\$234,880	\$234,880	\$234,880
<b>Subtotal of Recommendations Not Subject to Negotiation</b>	<b>\$3,003,391</b>	<b>\$3,140,171</b>	<b>\$3,291,302</b>	<b>\$3,454,786</b>
<b>Subject to Negotiation</b>				
<b>R3.2</b> Increase employee's share of insurance premiums to 10 Percent	\$281,015	\$317,547	\$358,828	\$405,475
<b>Subtotal of Recommendations Subject to Negotiation</b>	<b>\$281,015</b>	<b>\$317,547</b>	<b>\$358,828</b>	<b>\$405,475</b>
<b>Total</b>	<b>\$3,284,406</b>	<b>\$3,457,718</b>	<b>\$3,650,130</b>	<b>\$3,860,261</b>

**Note:** Total savings reported in the revised forecast may vary due to rounding.

**Table 2-13** summarizes the implementation costs associated with the recommendations contained within the performance audit. Each cost estimate is dependent upon Edison LSD's decision to implement the associated recommendation and the timing of the implementations.

**Table 2-13: Implementation Costs**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>R5.4</b> Acquire transportation routing software	\$5,000	\$895	\$895	\$895
<b>R5.5</b> Replace two buses annually	\$120,000	\$120,000	\$120,000	\$120,000
<b>Total Implementation Costs</b>	<b>\$125,000</b>	<b>\$120,895</b>	<b>\$120,895</b>	<b>\$120,895</b>

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## **Appendix A: Summary of Objectives for Financial Systems**

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The following questions were used to evaluate the performance of Edison LSD's financial operations:

- Does the District have comprehensive financial policies to guide management, including an ethics policy and purchasing policies?
- Does the District have unresolved citations from prior financial audits?
- Does the District have a policy on financial forecasting and does it identify all responsible parties included in forecast development? Does its five-year forecast reasonably and logically project future revenues to provide a reasonable assurance of accuracy?
- Has the District established an effective performance measurement system?
- Does the District provide financial reports, including a CAFR and PAFR, to the community and stakeholders?
- Has the District developed a strategic plan that links to educational and operational plans and meets best practice criteria?
- Do the District's governmental expenditures and discretionary expenditures by type compare to peer district and state averages?
- Is the District's budgetary process consistent with best practice criteria?
- Has the District established an audit committee/internal audit function, and does it follow best practices?
- Does the District have limited payroll runs, and is there adequate time for reconciliation? Is direct deposit used to reduce costs and increase efficiencies for the District?



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# Human Resources

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## Background

This section focuses on the human resource (HR) operations in the Edison Local School District (Edison LSD or the District). The purpose of analyzing human resource-related practices is to determine how effectively the District addresses HR management issues, the general working environment, use of HR technology, professional development of staff, and, where warranted, to identify opportunities for increasing economy and efficiency. A full list of objectives is included in **Appendix 3-B**.

The District's HR operations were evaluated against best practices and operational guidelines or standards from several sources, including the Ohio Revised Code (ORC), Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the Kaiser Family Foundation (Kaiser), the State Employment Relations Board (SERB), and the Ohio School Board Association (OSBA). In addition, 10 school districts with similar demographics (rural/agricultural-high poverty, low median income), high Ohio Proficiency test scores, and low per-pupil expenditures were used for peer comparisons throughout the report.<sup>1</sup> As part of the performance audit assessment, the Auditor of State's Office (AOS) administered a survey to Edison LSD employees regarding HR operations. Results of this survey were used, where appropriate, to illustrate conditions within the District. A summary of survey questions and results is included in **Appendix 3-A**.

### *Organizational Structure and Function*

Edison LSD does not have a dedicated HR department. Fundamental HR responsibilities are completed by the Superintendent, the Assistant Superintendent, Treasurer, building principals, supervisors, and central office clerical support personnel. The Superintendent is responsible for administration and oversight of employee recruitment and selection processes, determining staffing levels, conducting bargaining unit negotiations, and maintaining personnel files. The Assistant Superintendent is responsible for overseeing professional development and certification activities. The Treasurer's Office is responsible for the following HR-related activities:

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

- Processing payroll;
- Preparing cost estimates associated with bargaining unit proposals; and,
- Benefits administration.

Building principals and other department supervisors hire staff, complete employee evaluations, and address employee performance issues. The Education Management Information System's (EMIS) Coordinator validates staff classifications. District clerical staff performs data entry and administrative support functions.

Edison LSD is governed by a five-member elected Board of Education. In general, Board members appear to work well together and govern the District in an effective manner. While the Board and Superintendent have an effective working relationship, the Treasurer was replaced by the Board in 2007.

Edison LSD uses State software to maintain human resource records. The Uniform School Payroll System (USPS) stores information such as compensation and retirement contributions, allows viewable access to certain employees, and allows for conversion to EMIS with minimal time and effort. USPS adequately meets the District's human resources information technology needs.

In general, Edison LSD employees are aware of their job duties (89 percent), feel their job descriptions are accurate and reflect their daily routine (76 percent), and receive annual evaluations (76 percent), with feedback that is provided in a timely manner (73 percent). Seventy four percent of respondents indicated the District could better manage productivity when absences occur. Sick leave use is discussed in more detail in **R3.6**. In addition, some opportunities exist for improved communications and human resource management, as discussed in **R3.7** and **R3.8**.

### *Staffing*

**Table 3-1** compares Edison LSD's FY 2005-06 full-time equivalent employees (FTE) per 1,000 students to the peer average, as reported to ODE through EMIS.

**Table 3-1: Staffing Comparison (FTEs per 1,000 Students<sup>1</sup>)**

	Edison LSD	Peer Districts	Difference	State Minimum Teacher to Student Ratios
Average Daily Membership (ADM)	2,369.51	1,488.77	880.74	--
<b>Administrators: Subtotal</b>	<b>6.33</b>	<b>6.11</b>	<b>0.22</b>	--
Site Based Administrators	3.38	3.23	0.15	1 per school
Central Administrators	2.95	2.88	0.07	--
<b>Educational Staff: Subtotal</b>	<b>69.63</b>	<b>75.28</b>	<b>(5.65)</b>	--
Counselors	1.27	1.71	(0.44)	5:1,000 <sup>2</sup>
Librarian / Media	0.42	0.89	(0.47)	5:1,000 <sup>2</sup>
Remedial Specialist	3.38	3.30	0.08	--
Regular Teachers	48.53	49.62	(1.09)	1:25
Special Education Teachers	7.60	9.07	(1.47)	Varies by disability
Vocational Teachers	0.84	2.49	(1.65)	--
Tutor/Small Group Instructors	1.27	1.57	(0.30)	--
ESP Teachers	4.22	4.90	(0.68)	5:1,000 <sup>2</sup>
All Other Educational Staff	2.11	1.65	0.46	--
<b>Professional Staff: Subtotal</b>	<b>1.27</b>	<b>1.25</b>	<b>0.02</b>	--
<b>Technical Staff: Subtotal</b>	<b>7.60</b>	<b>4.54</b>	<b>3.06</b>	--
Library Technicians / Aides	2.11	0.58	1.53	--
Instruct. Paraprofessionals	4.64	3.25	1.39	--
<b>Office / Clerical Staff: Subtotal</b>	<b>8.02</b>	<b>7.24</b>	<b>0.78</b>	--
Clerical	5.91	5.73	0.18	--
All Other Office / Clerical Staff	2.11	1.51	0.60	--
<b>Facilities: Subtotal</b>	<b>11.39</b>	<b>8.48</b>	<b>2.91</b>	--
<b>Transportation: Subtotal</b>	<b>12.24</b>	<b>10.16</b>	<b>2.08</b>	--
<b>Food Service Workers</b>	<b>4.98</b>	<b>7.71</b>	<b>(2.73)</b>	--
All Other Reported Personnel	1.27	1.11	0.16	--
<b>Total FTE Reported</b>	<b>122.73</b>	<b>121.87</b>	<b>0.86</b>	--

Source: EMIS data, as submitted to ODE. EMIS data for Edison LSD was tested and was found to be reliable.

Note: Totals in bold lines may not equal actual detail due to the roll-up categories used in the table.

<sup>1</sup>Comparing staffing levels on a per-1,000 student basis eliminates actual FTE differences caused by the size of the peer districts.

<sup>2</sup>Educational support personnel (ESP) consist of counselors, library media specialists, school nurses, visiting teachers, social workers, and elementary art, music, and physical education staff based on OAC § 3301-35-05 (A)(3). A minimum of 5 FTEs are to be employed district-wide for each 1,000 students in the regular student population.

As illustrated in **Table 3-1**, Edison LSD employed 122.73 FTEs per 1,000 students. Overall, Edison LSD has staffing comparable to the peer average, but is marginally higher in administrator, professional, technical, facilities, and transportation categories and is marginally lower in educational staff.

In its financial recovery plan dated May 1, 2007, Edison LSD made reductions in Educational Support Personnel (ESP) and classified, non-certificated positions (e.g., aides, custodians, and food service workers). These reductions have helped to bring staffing levels more in line with the peer average and State minimum requirements. In addition, the District plans to eliminate

additional clerical and administrative positions when it closes two buildings (see the **facilities** section). However, additional reductions in personnel will likely be necessary to avoid future deficits (see **R3.1**).

### *Collective Bargaining Agreements*

Provisions in Edison LSD's negotiated agreements were reviewed and assessed against ORC, OAC, and other best practice standards. The certificated and classified bargaining unit agreements will be renegotiated in 2007. The District has a negotiated agreement with the following bargaining unit:

- **Edison Local Education Association (ELEA) (Effective June 15, 2004 - June 14, 2007):** The ELEA represents all full-time and part-time professional, certificated/licensed personnel, including classroom teachers, guidance counselors, librarians, media specialists, school nurses, and department heads. Analysis of the certificated bargaining unit agreement included eighteen provisions, of which the following either exceeded State minimums or did not meet recommended practices: class size, nurse staffing, maximum sick leave accrual, maximum number of sick leave days paid at retirement, health insurance premium contributions, and negotiated wage increases (see **R3.5**).
- **Ohio Association of Public School Employees (OAPSE) (Effective July 1, 2005 - June 30, 2008):** OAPSE represents all non-teaching employees, excluding supervisory or confidential positions. Analysis of the classified bargaining unit agreement included sixteen provisions, of which the following either exceeded State minimums or did not meet recommended practices: vacation accrual, maximum sick leave accrual, maximum number of sick leave days paid at retirement, health insurance premium contributions, and negotiated wage increases (see **R3.5**).

### *Salary and Wages*

Edison LSD's salaries for the majority of employees are below or comparable to the State and Jefferson County averages; as were starting salaries for teachers. Although Edison LSD requires new certificated staff to accept an available supplemental contract their first year (if needed), total spending on supplemental contracts is below the peer average. Wages for substitute instructors were also noted to be commensurate with the County average.

*Special, Gifted, and Vocational Education Program Deployment*

Edison LSD’s processes for special education identification and assessment have been developed in compliance with State requirements and emphasize the least restrictive environment for special education students. Edison LSD uses the Jefferson County Educational Services Center (ESC) and the East Central Ohio Special Educational Regional Resource Center for special education services. Parents are involved in the Intervention Action Team (which works to determine if there are alternative methods for improving a student’s performance) and the individual educational plan (IEP) team. Additionally, parents of special education students receive copies of resource material published by ODE. The local professional development committee (LPDC) works with staff to improve teaching styles for special education students in the regular classroom.

The Board of Education (the Board) has adopted Policy 2464, which meets ORC and OAC requirements and outlines how the District will identify and serve gifted students. Furthermore, the District has increased the rigor of its educational program and expanded “school-wide enrichment” opportunities for students to include children who have not been identified as gifted.

Edison LSD offers limited technology and home economics courses in-house and employs two vocational teachers. For most vocational courses, the District uses the Jefferson County Vocational School (JCVS). Additionally, courses are not duplicated at Edison LSD and the JCVS. The District has limited input on course offerings at the JCVS.

## Recommendations

### *Staffing*

**R3.1 Without new revenue, significant reductions in salary and benefit expenditures are needed to avoid projected deficits. Assuming successful implementation of all cost-saving performance audit recommendations, Edison LSD may still need to eliminate up to 32 FTE regular classroom teaching positions<sup>2</sup> in order to avoid deficits through FY 2010-11. However, prior to making such substantial reductions in classroom teaching positions, the District should consider the potential impact on student achievement and look for alternative ways to address its deficit situation.**

**During the course of the audit, Edison LSD made reductions in its regular education personnel through attrition, retirements, and reductions in force. As of May 1, 2007, the District had eliminated 12 FTEs in this classification. By the end of the audit period, it had eliminated a total of 14 FTEs in this classification.**

**Table 3-2** compares Edison LSD's FTE regular classroom teachers and the number of regular teachers per 1,000 students to the peer average and to State minimums.

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<sup>2</sup> A reduction of 32 FTE regular classroom teaching positions would leave the District about 9.4 percent above the State minimum requirement.

**Table 3-2: Regular Classroom Teacher Staffing Comparison (in FTEs)**

	Edison LSD <sup>1</sup>	Peer District Average <sup>2</sup>	Difference from Peer Districts
Regular Classroom Teachers (FTE)	115.0	71.1	43.9
Regular Student Population <sup>3</sup>	1897.5	1,247	650.5
<b>Regular Teachers per 1,000 Regular Students</b>	<b>60.6</b>	<b>57.0</b>	<b>3.6</b>
<b>Regular Teachers Above/(Below) per 1,000 students<sup>4</sup></b>			<b>6.8</b>
Regular Students to Regular Teacher Ratio	16.5	17.2	(4.1%)
Students Educated per Teacher	20.6	20.3	1.5%
Performance Indicators Met (out of 25)	19.0	24.3	(21.8%)
Performance Index (out of 120)	94.9	100.9	(5.9%)
<b>Comparison to State Minimum Requirements</b>			<b>FTE Teachers</b>
Total Regular Classroom Teaching Positions			115.0
State Minimum Required Classroom Teachers			75.9
Teachers Above/(Below) State Minimum Requirement			39.1

Source: Edison LSD, FY 2005-06 EMIS data as reported to the ODE, and ODE report cards

<sup>1</sup> FTE employees may have been adjusted based on interviews and therefore not may match numbers reported to ODE through EMIS.

<sup>2</sup> Average of FY 2005-06 staffing levels as reported to ODE through EMIS.

<sup>3</sup> As defined by ORC 3315.17(F).

<sup>4</sup> Calculated by multiplying the difference per 1,000 students by the regular student population which represents the number of FTE employees that if added or subtracted would bring the number of employees per 1,000 students in line with the peer district average.

**Table 3-2** shows that Edison LSD employs 60.6 FTE regular education teachers per 1,000 students or about 3.6 FTE per 1,000 students more than the peer district average. Edison LSD would need to eliminate approximately 6.8 FTE regular education teachers in order to bring its staffing levels more in line with this benchmark. However, such reductions will not yield sufficient cost savings to address the projected deficit, even if the savings from all the performance audit recommendations are realized. Edison LSD will need to successfully implement all of the performance audit recommendations and eliminate 32 FTE regular education teaching positions in order avoid deficits through FY 2010-11 unless it is able to obtain additional revenue. See **Table 2-11** in the **financial systems** section for the revised forecast and financial recovery plan.

As reductions in regular education staffing may have an adverse effect on Edison LSD's academic performance, the District should consider both financial conditions and student performance when determining appropriate staffing levels. Other savings may be identified by the District, which could limit the reductions in regular education personnel.

*Financial Implication:* By eliminating 32 FTE regular classroom teaching positions, Edison LSD could save approximately \$2.2 million in salaries and benefits in FY 2007-08.

*Health Benefits*

**R3.2 Edison LSD should attempt to expand cost-sharing initiatives to help manage the rising cost of health insurance. This includes increasing the employee health insurance contribution requirement for all employees to 10 percent to be in line with national and State averages. Further, the District should implement the 10 percent health insurance contribution rate to cover all types of health insurance, including medical, dental, and vision.**

Edison LSD’s health insurance is self-funded through the Ohio Mid-Eastern Regional Education Services Agency (OME-RESA) Health Benefits Plan (consortium). The District offers employees three health insurance options: base plus major medical insurance, a preferred provider organization (PPO), and a medical waiver of coverage. Only employees hired before June 15, 1999 are eligible for the base plus major medical; all others must choose the PPO or the medical waiver. Employees that opt for the medical waiver receive \$500 in cash, an annuity, or a flexible spending account.

In 1998, Edison LSD established an insurance committee that is charged with reviewing insurance costs and identifying any cost-saving measures the District can implement. At the time of this audit, the insurance committee was restructuring the insurance plan benefit levels. The eight member committee meets monthly and includes representatives from the District administration, the Board, and certificated and classified staff. The committee also plans to work with the consortium’s consultant to help redesign the insurance plans benefit levels.

**Table 3-3** compares FY 2005-06 monthly health insurance premiums and required employee contribution rates for Edison LSD to Kaiser’s 2006 Annual Survey, SERB’s 2005 Annual Report, and the Ohio Education Association’s (OEA) 2006 Annual Report.

**Table 3-3: Monthly Healthcare Premiums**

	Monthly Premium for Single Plan	Employee Share	Monthly Premium for Family Plan	Employee Share
<b>Edison LSD</b>				
Certificated and Classified Employees	\$614.68	\$0.00 (0.0%)	\$1,390.58	\$4.00 (0.0%)
Administrators and Administrative Secretaries	\$614.68	\$61.47 (10.0%)	\$1,390.58	\$139.06 (10.0%)
<b>Kaiser</b>				
All Plans	\$354.00	\$53.44 (16.0%)	\$957.00	\$248.82 (26.0%)
PPO Plans	\$365.00	\$58.40 (16.0%)	\$980.00	\$254.80 (26.0%)
<b>SERB</b>				
All Plans	\$379.73	\$31.48 (8.4%)	\$966.28	\$100.67 (10.4%)
By Student Enrollment - 1,000- 2,499 ADM	\$386.76	\$39.66 (10.4%)	\$961.93	\$112.98 (11.7%)
Warren/ Youngstown Region	\$419.20	\$23.13 (5.5%)	\$1,020.09	\$82.49 (8.1%)
<b>OEA</b>				
Certificated - Medical	\$370.00	\$25.00 (6.8%)	\$944.00	\$84.00 (8.9%)
Classified - Medical	\$380.00	\$26.00 (6.8%)	\$979.00	\$87.00 (8.9%)

**Source:** Edison LSD, Kaiser Family Foundation Employer Health Benefits 2006 Annual Report, SERB 2005 14<sup>th</sup> Annual Report on the Cost of Health Insurance in Ohio's Public Sector, OEA Survey of School District Health and Life Insurance Plans, 2006.

**Table 3-3** shows that costs for medical coverage in Edison LSD are higher than the benchmark averages – in some cases, significantly so.

- *Single coverage premiums are higher than State and national averages.* Edison LSD premiums are 73.6 percent and 68.4 percent higher than the Kaiser averages for all plans and PPO plans, respectively. Further, Edison LSD premiums are between 46.6 and 61.9 percent higher than the averages reported by SERB. Compared to OEA averages, Edison LSD premiums are 66.1 percent (certificated staff) and 61.8 percent (classified staff) higher.
- *Family coverage premiums are higher than State and national averages.* Edison LSD premiums are 45.3 percent and 41.9 percent greater than the Kaiser averages for all plans and PPO plans, respectively. Further, Edison LSD premiums are between 36.3 and 44.6 percent higher than the averages reported by SERB.

Compared to OEA averages, Edison LSD premiums are 47.3 percent (certificated staff) and 42.0 percent (classified staff) higher.

When examining contribution rates, **Table 3-3** shows the following:

- *Certificated and classified employee contribution rates in Edison LSD are significantly lower than State and national averages.* Certificated and classified employees in Edison LSD with single coverage do not contribute towards medical premiums. Conversely, averages range from 5.5 (SERB) to 16.0 percent (Kaiser). Certificated and classified employees with family coverage contribute \$4.00, which is also significantly lower than reported benchmarks.
- *Administrators and administrative secretaries contribution rates in Edison LSD are higher than State averages and lower than the national average.* Administrators and administrative secretaries pay 10.0 percent of the cost of medical premiums. Administrators and administrative secretaries contribute at a rate that is commensurate with SERB rates for similarly sized school districts, yet below Kaiser's benchmarks.

Edison LSD also offers dental and vision benefits to all employees. **Table 3-4** compares Edison LSD's monthly premiums and employee contribution rates for these ancillary benefits to established benchmarks.

**Table 3-4: Ancillary Benefits**

	<b>Edison LSD - Monthly Premium</b>	<b>Edison LSD - Employee Contribution<sup>1</sup></b>	<b>SERB 2005 Report<sup>2</sup> – Monthly Premiums</b>
<b>Dental Plan Coverage</b>			
Certificated and Classified Employees	<b>Single:</b> \$28.44 <b>Family:</b> \$69.77	<b>Single:</b> \$0.00 <b>Family:</b> \$4.00	<b>Single:</b> \$32.82 <b>Family:</b> \$69.55
Administrators and Administrative Secretaries	<b>Single:</b> \$28.44 <b>Family:</b> \$69.77	<b>Single:</b> \$2.84 <b>Family:</b> \$6.98	
<b>Vision Plan Coverage</b>			
Certificated and Classified Employees	<b>Single:</b> \$5.62 <b>Family:</b> \$13.31	<b>Single:</b> \$0.00 <b>Family:</b> \$4.00	<b>Single:</b> \$4.30 <b>Family:</b> \$8.66
Administrators and Administrative Secretaries	<b>Single:</b> \$5.62 <b>Family:</b> \$13.31	<b>Single:</b> \$0.56 <b>Family:</b> \$1.33	
<b>Life Insurance Coverage and Mean Benefit Provided</b>			
Certificated and Classified Employees	\$0.155 per \$1,000 of coverage per employee per month for a \$20,000 benefit.	\$0.00	\$0.1892 per \$1,000 of coverage per employee per month, with a mean benefit of \$32,661 <sup>3</sup>
Administrators and Administrative Secretaries	\$0.155 per \$1,000 of coverage per employee per month for a \$20,000 benefit.	\$0.00	

**Source:** Edison LSD, SERB 2005 14<sup>th</sup> Annual Report on the Cost of Health Insurance in Ohio's Public Sector.

<sup>1</sup> Employee contributions in Edison LSD include medical insurance, dental, and vision coverage. As a result, contribution amounts are the same as those stated in **Table 3-3**.

<sup>2</sup> The most recent report available.

<sup>3</sup> The 2005 SERB report states that requests for life insurance premiums were excluded due to formula inconsistencies reported in the 2004 SERB report. Therefore, data from 2004 is presented.

**Table 3-4** shows that monthly costs associated with single dental coverage are 13.3 percent below the SERB average and comparable to the family dental coverage. The vision coverage premium is 30.7 percent and 53.7 percent higher than SERB averages for single and family coverage, respectively. The life insurance premium is below the SERB average for 2004.

Edison LSD has not engaged in activities to control insurance costs or redesign benefits packages until it faced significant financial distress. As a result, the District is paying a substantially higher amount for health insurance and other benefits, while not using cost-sharing practices such as higher employee contribution rates. In order to resolve its current deficit and avoid future shortfalls, Edison LSD must negotiate a greater degree of cost-sharing to limit its financial liability related to the rising costs of health insurance.

*Financial Implication:* By increasing the employee insurance contribution rate to 10 percent for all employees and all benefits, the District would save approximately \$280,000, annually.

**R3.3 Edison LSD should consider restructuring benefit levels within its health insurance plans. Specifically, the District should reassess co-payments, co-insurances, prescription drug coverage, and deductibles. Restructuring benefit levels should help the District control costs associated with health insurance.**

**During the course of the audit, Edison LSD administrators began working with a health insurance benefits consultant to redesign their plan and create a more sustainable benefits package. The District is seeking to achieve \$800,000 in cost reductions through this initiative.**

Edison LSD has an insurance committee in place that, at the time of this audit, is assessing benefit levels. A comparison of Edison LSD's health care plan benefits to the 2005 Kaiser Survey results and 2006 OEA averages indicates that benefit levels in Edison LSD exceed averages in the following categories:

- Co-payments for physician visits;
- Co-insurance for physician visits;
- Multi-tiered drug plan co-payments;
- Co-insurance for drug plan;
- Average annual deductible;
- Average cost sharing for hospital visits; and,
- Annual out of pocket maximums

As part of the performance audit, AOS conducted a survey of Edison LSD employees to gather data pertaining to various human resources issues. As indicated by the survey results, a majority of respondents (62 percent) are pleased with the procedures regarding health benefits.

The Government Finance Officers Association (GFOA) offers several recommendations for limiting the cost of health insurance. First, GFOA recommends changes in plan design including the establishment of eligibility criteria for coverage of part-time or temporary employees and changes to co-payment and co-insurance levels to influence individual behavior with respect to network and out of network services; brand name and generic prescriptions, and over the counter medication; inpatient and outpatient services; and other decisions. GFOA further recommends vendor management, which encompasses activities designed to operate a plan more effectively through optimal use of health care vendors. This includes:

- Auditing claims to ensure that carriers or third-party administrators pay benefits according to plan rules;
- Verifying enrolled participants (i.e. positive re-enrollment);

- Coordinating benefits; and,
- Periodically re-bidding for health care plan vendors.

Edison LSD should also consider individual health management, which includes disease management for at-risk employees or employees undergoing initial treatment, and wellness programs. Ninety-five percent of respondents in the Kaiser survey stated that they have some sort of program in place, while the *Survey on Reducing Corporate Health Care Cost* (Deloitte Consulting, 2006) found 74 percent of respondents offer some form of disease management program (e.g., diabetes, asthma, and cardiovascular, and disease).

Another report, *Ohio Employers' Best Practices: Linking Employee Health to the Business Bottom Line* (Bickley, Rutter, and Arensberg, 2006) states that a successful method for containing health care costs is implementing a wellness program for employees, such as smoking cessation, weight-loss, and fitness programs. Additionally, individual health management includes employee education on healthcare matters and greater cost awareness by making provider costs more "visible" to participants. Controlling costs and modifying plan benefits could lead to cost savings for the District. Any changes to benefit levels will require bargaining unit approval. An estimated cost saving could not be quantified due to the numerous factors involved in premium pricing.

### *Negotiated Agreements/Contractual Issues*

**R3.4 Edison LSD's bargaining team members should periodically attend collective bargaining training to prepare for negotiations. The District should also have access to an attorney during all negotiations, as contractual language can have unforeseen consequences for an employer. This will ensure that the entity has a strong team entering into the negotiation process. Additionally, because of the current financial condition, Edison LSD should consider negotiating one year at a time to better assess its ability to offer and/or sustain certain contractual provisions.**

Edison LSD's negotiating team includes two Board members, the Superintendent, and the District's attorney. The Treasurer is also available to provide financial data for potential proposals. However, the District will be represented only by the Superintendent during the 2007 contract negotiations. The District intends to focus negotiations solely on insurance contributions, and does not anticipate any contractual items that will require input from the Board members or the District's attorney. Edison LSD's negotiating team members underwent interest-based bargaining (IBB) training for the 2002 contract negotiations. Interviews with District staff found the IBB process to be positive, but time consuming, resulting in limited concessions.

*Best Practices and Indicators for School Personnel Systems and Benefits* (OPPAGA, 2002) recommends that districts encourage ongoing training in the negotiation process

and State labor law for all individuals involved directly in negotiations. A district should clearly define the roles and responsibilities of the person or persons participating in negotiations, as well as the roles of the superintendent and school board in order to prioritize issues while maintaining confidentiality for the negotiation process. The University of Wisconsin's School of Continuing Education cites several benefits to negotiations training:

- Provides knowledge to enhance the negotiation position;
- Provides skills to successfully communicate proposals and objectives;
- Provides an ability to negotiate tough issues like health insurance and outsourcing; and
- Provides role playing exercises to deepen negotiators' knowledge of the people and processes in negotiations.

A district should also ensure that its appointed negotiators have access to an attorney who is trained in collective bargaining law and procedures. A district should maintain and update records of the negotiating process and retain those records for a set time.

*Collective Bargaining and Labor Relations*, (Carrell, 1991), states that most changes in wages and benefits lead to direct – and usually substantial – cost increases. Both sides need to estimate the cost of contract provisions accurately so they can be intelligently discussed and bargained for by either side. If it is an item that is given up by one side so another provision can be gained, its relative weight is best estimated by knowing its costs. SERB recommends that districts in financial distress negotiate one year at a time to better assess their ability to pay for contracted provisions.

A district can be adversely affected if collective bargaining processes are not successfully managed. While the effectiveness of collective bargaining may be greatly influenced by the particular bargaining units with which a district must negotiate, districts should focus on those aspects of collective bargaining that are within their control. Doing so will enable the district to represent itself and its interests in a sound manner with a foundation of negotiating knowledge and skill to successfully limit the cost consequences of labor agreements. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officers (OASBO) provide training related to collective bargaining issues. Training costs vary depending on the course. OSBA also has a selection of free video courses on its website.

**R3.5 Edison LSD should seek renegotiation of collective bargaining unit provisions for certificated and classified employees that exceed State minimums and recommended practices, placing additional financial burdens on the District. Board ratification of collective bargaining agreements should be based on careful consideration of fiscal issues.**

As a component of the performance audit, Edison LSD's collective bargaining agreements were examined and compared to State requirements and recommended practices. The following clauses in the certificated bargaining unit agreement deviate from best practices or State minimums:

- **Maximum class size:** Teachers report the number of students enrolled in each of their classes to provide a monthly total. If the total exceeds 27, teachers are entitled to a stipend depending on the number of students that exceed the threshold.

*Collective Bargaining for Schools* (Mackinac Center for Public Policy, 1998) states that establishing class size requirements within a collective bargaining agreement restricts the school administration's decision-making about the most effective use of staff, space, and scarce financial resources. The District should seek to eliminate the class size stipend to reduce costs and provide more flexibility in class planning.

- **Nurses:** Edison LSD's contract with certificated staff requires the District to employ at least three full-time nurses without considering enrollment or enrollment trends. The District should reassess the need for three full-time nurses and consider alternatives that may include employing staff in this area based on enrollment.

Additionally, the following provisions in the classified bargaining unit agreement differ from State requirements and common practices:

- **Vacation leave:** Employees at Edison LSD that have worked 9 to 15 years in the District are entitled to 3 weeks (15 working days) of vacation leave. ORC § 3318.084 states that employees are entitled to the same amount of leave only after 10 years. Furthermore, while employees in Edison LSD are entitled to 4 weeks (20 working days) of vacation leave after 15 years, ORC § 3318.084 states that an employee receives 4 weeks of leave after 20 years of employment. While it is difficult to calculate the cost implication of reducing vacation accrual, a more conservative accrual rate would provide cost savings.
- **Maximum sick leave accrual and sick leave paid at retirement:** Certificated employees can accrue up to 290 days of sick leave. Classified employees that work 9-12 months can accrue up to 240 days. ORC § 3319.141 requires that school employees be allowed to accrue up to 120 days, although local boards of education can approve more. A reduction in accrued sick leave paid out at retirement would generate significant future savings. State guidelines require districts to pay for only 30 days of accrued, unused sick leave upon retirement.

Certificated staff members in Edison LSD receive up to 71.25 days. Twelve month classified employees are eligible for up to 42 days.

- **Negotiated Wage Increases:** Edison LSD has included wage increases in its negotiated agreements. Because of the District's financial condition, it should minimize wage increases for District employees.

Concessions agreed to during better financial conditions may have lead to provisions in the negotiated agreements that Edison LSD can no longer afford. Renegotiating contracts annually (see **R3.4**) will enable the District to improve cost effectiveness and ensure that its collective bargaining provisions do not create unintended future financial burdens.

### *Human Resources Management*

#### **R3.6 Edison LSD should develop and implement a written leave policy to prevent abuse of sick leave. Moreover, the District should more aggressively monitor sick leave use by employees and enforce the sick leave policy.**

Edison LSD does not have a sick leave abuse policy. Negotiated agreements outline permissible uses for sick leave, stipulating that employees need a doctor's note after using five consecutive days. Additionally, the negotiated agreements include a financial incentive for certified and classified employees to encourage regular attendance.<sup>3</sup> During FY 2004-05, Edison LSD spent about \$20,600 on this incentive.

**Table 3-5** compares Edison LSD leave use in FY 2004-05 and FY 2005-06 to benchmarks established by the State Council of Professional Educators/Ohio Education Association (SCOPE/OEA), the American Federation of State, City, and Municipal Employees (AFSCME), and the State.

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<sup>3</sup> Classified employees who do not use sick leave during a nine week period receive a \$100.00 benefit. Certificated staff who do not use sick leave during a nine week period receive a \$75.00 benefit. The leave incentive is prorated if the employee does not work for the entire nine weeks.

**Table 3-5: Sick Leave Use <sup>1</sup>**

Edison LSD	Sick Leave per Employee <sup>2</sup>	SCOPE/OEA - AFSCME	Excess Hours Used	State Average	Excess Hours Used
<b>FY 2004-05</b>					
Certificated	113.60	51.92	61.68	53.71	59.89
Classified	91.86	57.78	34.08	53.71	38.15
<b>FY 2005-06</b>					
Certificated	88.33	53.71	34.62	51.72	36.61
Classified	78.14	56.20	21.94	51.72	26.42

Source: Edison LSD Treasurer's Office, Ohio Department of Administrative Services.

<sup>1</sup> Leave use is in hours.

<sup>2</sup> Calculated assuming an eight-hour day for certificated and classified staff.

**Table 3-5** shows that overall, Edison LSD employees use significantly more sick leave, though patterns improved in FY 2005-06. As a result of suspected sick leave abuse, District administrators want to include restrictions on the number of days of sick leave in upcoming negotiations. The AOS survey of Edison LSD employees found that 75 percent of respondents disagreed when asked if the District's sick leave policy was too lenient, while only 10 percent believed that it was (see **Appendix 3-A**).

The State's collective bargaining agreement with the Ohio Civil Service Employees Association (OCSEA) includes provisions for disciplining employees for sick leave abuse, as well as provisions for recognizing patterns of abuse, such as the following:

- 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.

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

- Find out why the employee is abusing leave. Talk to employees who are abusing leave to see if their behavior stems from personal problems.
- Learn to say "No." Employers should not let employees abuse leave policies.

- Use procedures, regulations, practices, and knowledge to benefit management and employees.
- Document everything to learn from past mistakes.
- Not having a policy puts the District at risk of employees abusing sick leave.

The District has begun to recognize that sick leave abuse can become an issue of concern, and has started to reassess its sick leave practices. The lack of a policy and process for addressing leave abuse puts the District at risk of employees abusing sick leave, leading to increased overtime, missed deadlines, poor morale, and decreased productivity.

*Financial Implication:* By developing a leave policy and actively monitoring leave use, the District could save approximately \$32,720 per year on substitute costs based on 115 regular teachers if it reduced leave usage to the benchmark rate.

**R3.7 Edison LSD should formalize its communication processes to ensure that all members of its staff are made aware of changes to policies and procedures. Effective communication is a key component of effective organizations and promotes positive employee morale.**

Changes in policies originate from the Superintendent and are subsequently delivered to principals, who then share them with staff. There is also a monthly meeting with all administrators in the District where policy changes are communicated. Principals have staff meetings to communicate current issues and send out newsletters to all building personnel. Furthermore, district policies are available online. Collective bargaining units are responsible for distributing negotiated agreements to new employees. However, the AOS staff survey indicates that a high percentage of respondents believe they are not informed of changes in District policies and procedures (42 percent). Also, 36 percent of respondents disagreed or strongly disagreed when asked if they were aware of Board goals. In addition, 50 percent of the respondents disagreed or strongly disagreed with the statement that there is positive morale in the District (28 percent have no opinion).

According to a *Field Guide to Leadership and Supervision, Basics in Internal Organizational Communications*, (McNamera, 2007), communication occurs both downward and upward. Strong downward communication practices display the following characteristics:

- Every employee receives a copy of the strategic plan, which includes the organization's mission, vision, values statement, strategic goals and strategies about how those goals will be reached.

- Every employee receives an employee handbook that contains all up-to-date personnel policies.
- There is a basic set of procedures for how routine tasks are conducted and these are included in a standard operating manual.
- Every employee has a copy of his or her job description and the organization chart.
- Management meetings occur regularly (at least every two weeks), even if there is nothing pressing to report.
- Full staff meetings are held every month to report how the organization is doing, major accomplishments, concerns, and announcements about staff, etc.
- Leaders and managers have face-to-face contact with employees at least once a week.
- Meetings are held regularly to celebrate major accomplishments and provide a sense of direction and fulfillment.
- All employees receive yearly performance reviews, including their goals for the year, updated job descriptions, accomplishments, areas for improvement, and plans to help the employee accomplish the improvements.

Strong upward communication characteristics are as follows:

- All employees give regular status reports to their supervisors.
- All supervisors meet one-on-one at least once a month with their employees to discuss how it is going and hear any current concerns from the employee.
- Management and staff meetings are used to solicit feedback.
- Feedback from others results in action.

While Edison LSD uses some of the recommended practices in a strong communication framework, communication practices could be strengthened. The lack of an effective communication system in place prohibits staff from learning of changes in policies and/or procedures in a timely manner. Further, the District is unable to gauge employee satisfaction. By using the strategies recommended above, District administrators and

Board members can improve communication, enhance employee satisfaction, and use internal resources for problem solving.

**R3.8 Edison LSD should develop a staffing plan to address current and future staffing needs. Staffing should be based on current and future enrollment, State staffing requirements, and certification needs. Additionally, the staffing plan should include a framework for succession planning for key District positions to ensure smooth transitions as the staff changes.**

**As part of the staffing plan, Edison LSD should develop and implement a retention plan for all staff. The retention plan should include an annual employee satisfaction survey designed to measure employee satisfaction on factors, such as opportunities for professional development, work environment, quality of supervision, and District-wide support. In addition, the District should, as a matter of course, track employee turnover for all classifications and conduct exit interviews of employees that voluntarily leave the District.**

Edison LSD does not have a formal staffing plan to establish staffing levels. Staffing levels for certified personnel are governed by OAC 3301-35-05 for regular education students and OAC 3301-51-09 for special needs students. District administrators consider the effect of staffing reductions on the District's overall educational program and include the certified and classified bargaining units in discussions about staffing reductions. Actual staffing reductions have been based on voluntary retirements. However, during FY 2006-07, the Board voted to close two elementary schools which will likely result in reductions in force.

*Strategic Staffing Plans* (Society for Human Resources Management (SHRM), June 2002) notes that high performing organizations use plans and systems to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making within an organization. *Staffing Strategy over the Business Cycle*, (SHRM, 2005), suggests that reductions in staffing to meet declining labor needs often do not result in anticipated savings for 12 to 18 months. As a result, staffing plans, tied to strategic plans and organizational needs, can help organizations better meet the constraints of their operating environments.

Edison LSD also does not have a retention plan or track turnover. During the AOS administered survey, several respondents indicated limited confidence in the District's human resources management practices, suggesting an opportunity for improvement in human resource planning processes. A selection of key indicators and Edison LSD employee feedback is shown below.

- **Overall satisfaction with human resources:** Forty-eight percent of respondents disagree or strongly disagree with the effectiveness of the District’s human resources management policies and procedures.
- **Human resources management:** Fifty-one percent of respondents disagreed or strongly disagreed when asked if they were satisfied with how human resources management activities were handled. This compares to 23 percent that agreed.
- **Employee satisfaction:** Fifty two percent of respondents disagreed or strongly disagreed that overall District employees’ satisfaction and morale are positive. However, 19 percent agreed or strongly agreed.
- **Certificate and licensing monitoring:** Thirty-three percent of respondents agreed or strongly agreed when asked if they were aware of lapses in certification/licenses due to lack of management oversight. Twenty-five percent disagreed or strongly disagreed with the statement.

*Soliciting Employee Feedback: Getting Results* (National Business Research Institute, Inc (NBRI), 2007) states, “Employee surveys are the most effective way to tap into the thoughts of the workplace. Soliciting feedback should be a regular part of the HR function.” The article recommends surveying staff and management at all levels and including all aspects of operations. OPPAGA also recommends that districts conduct surveys of employees to gauge employee opinion. Specifically, districts should use climate surveys to measure employee satisfaction on factors such as work environment, quality of supervision, safety, district-wide support, and opportunities for professional development. All survey results should be compiled and reviewed by the District.

OPPAGA also recommends that districts maintain historical data on turnover for major classes of employees and monitor this data to identify unusual variations. In lieu of historical data from the District, current turnover data from peer districts could be used. Additional, specific information on turnover can be gleaned from exit interviews.

*Capturing Turnover Costs* (Society for Human Resource Management, 2000) sites a Manchester Consulting study indicating that turnover costs range from \$1,000 to \$10,000 per employee. Turnover causes lost productivity and can contribute to low employee morale. It also means that managers must take additional time to out-process employees, reorganize existing work, source their replacement, interview candidates, prepare offers, and orient new employees to the position and organizational culture. Because Edison LSD does not conduct surveys or exit interviews, it is unable to capture, analyze, and address negative employee sentiment or reasons for employee turnover. Further, it may take longer to identify and rectify any issues within the workplace. A district should be able to demonstrate through exit interview results that it has created a working

environment for its employees that enhances worker satisfaction and minimizes employee turnover.

As personnel expenditures account for a significant portion of every district's total expenditures, the absence of plans for staffing allocations and processes to examine staffing in each of the District's functions on an annual basis leaves Edison LSD at a disadvantage. By addressing staffing issues on an as-needed basis, the District may not be effectively tying its staffing levels to educational goals. The financial condition of the District has resulted in a focus on immediate needs rather than long-term planning. However, effective strategic staffing and succession planning will result in a long-term view of human resource deployment and ensure that the District retains staffing appropriate to its mission and goals.

**R3.9 Edison LSD should develop a formal employee training program for all District personnel that includes elements of best practices, such as a training budget based on 3 percent of department payroll expenditures, a means for tracking training received per employee, cross-training opportunities, and job specific training requirements. The training program should be supported by formal District policies and an identified funding stream. Even if financial conditions cannot immediately support a training budget that is in line with industry standards, the District should, at a minimum, ensure that all employees receive access to critical training to enhance job performance.**

Training for certificated staff is managed through the District's local professional development committee (LPDC). The LPDC is responsible for ensuring all teachers have current and appropriate certifications and receive required continuing education units. However, Edison LSD acknowledges that classified staff is not always provided formal or informal training or professional development opportunities. For example, only classroom instructional aides, secretaries, principals, and bus drivers receive regular professional development training. Custodians and food service staff are not provided regular training. The AOS employee survey found that only 36 percent of employees agreed or strongly agreed when asked if cross-training had been implemented in their department (26 percent disagreed or strongly disagreed). Fifty-nine percent agreed that training is effective in their department, while 17 percent disagreed.

*Workforce Development Trends Reflecting the Importance of Continuing Education and Lifelong Learning* (University Continuing Education Association, 2002) states that "employers have begun to recognize that money spent on training employees is more realistically an investment rather than a cost. A more skilled workforce results in increased economic productivity." Two key points are that a workforce with higher skill levels is more productive and continuing education helps employers retain employees and stay competitive.

According to *Municipal Benchmarks* (Ammons, 2001), employers should set aside approximately 3 percent of total payroll for a training budget. Based on FY 2005-06 payroll figures, this would amount to approximately \$285,000. Edison LSD cannot afford to set aside the recommended amount at this time; however, it should work toward this goal. The District should have policies and procedures to guide the use of district funds for high-cost training activities such as conference attendance, consultant trainers, or the purchase of video training or other training packages.

### *Academic Programming*

**R3.10 Edison LSD should use benchmarks similar to those used for Title I students as part of an overall assessment of its special education programs. Further, it should collect feedback from the parents of special education students in a formal manner as part of its program assessment. Collecting feedback annually would provide a consistent method to gauge parental satisfaction and identify and improve program performance. In addition, soliciting parental feedback can increase parental involvement in the special education program.**

**Table 3-6** compares Edison LSD's students with disabilities who achieved adequate yearly progress (AYP) in FY 2005-06.

**Table 3-6: Students with Disabilities that Met AYP Targets**

	Edison LSD	Peer Average	Difference	Federal Goal	Difference
<b>Reading</b>					
Percent of Students with Disabilities Tested in Reading	98.4	100.0	(1.6)	95.0	3.4
% meeting AYP	<b>50.4</b>	<b>65.4</b>	<b>(15.0)</b>	<b>70.8</b>	<b>(20.4)</b>
<b>Mathematics</b>					
Percent of Students with Disabilities Tested in Mathematics	100.0	100.0	0.0	95.0	5.0
% meeting AYP	<b>41.5</b>	<b>53.8</b>	<b>(12.3)</b>	<b>53.7</b>	<b>(12.2)</b>

Source: Edison LSD, peer district, and State interactive local report cards.

**Table 3-6** shows that, compared to the peer average and federal goals, a lower percentage of students with disabilities met AYP targets in reading and math.

According to *Guidance: Developing Goals, Objectives, and Activities*, (United States Department of Education, 2007), program design should clearly link goals, performance objectives and activities. Goals, performance objectives and activities should all reflect assessed needs.

- **Goals** are broader than performance objectives. They often begin with a “to statement” and do not necessarily include a measure of performance. For example, “to improve the skills of secondary teachers of LEP students.”
- **Performance objectives** support more broadly stated goals or objectives. They should describe what will be improved, when and how it will be measured. For example, “At the end of year 1, all teachers will demonstrate improvements in practice in the classroom setting. Improvement will be measured by analysis of videotaped classroom conversations, peer observations, and teacher questionnaire, mastery of all competencies as measured by the teacher observation checklist.”
- **Activities** support program objectives. They are more specific than goals or objectives and usually describe a process. For example, “recruit staff,” “develop curriculum modules,” or “provide participant orientation.”

In addition to more closely tracking student progress, special education programs can be improved by soliciting parent feedback on a regular basis. A parent survey might ask parents to rate their satisfaction with various aspects of the IEP process, as well as allow them to write additional comments.

Edison LSD already tracks student progress in reading and mathematics achievement on a building-level because of its Title I program. By expanding this effort to students with disabilities and gifted students, the District would be better able to assess the success of its programs. Furthermore, soliciting parental feedback on at least an annual basis will help Edison LSD better tailor programs to the needs of its students. However, having no mechanism to collect feedback may preclude the District from effectively addressing program weaknesses and planning for the future.

## Financial Implications Summary

The following table is a summary of estimated annual cost savings associated with the recommendations in this section of the audit report. Implementation of those recommendations subject to negotiation will require agreement from the affected bargaining units.

### Financial Implications for the Human Resources Section

Recommendation	Cost Savings
<b>R3.1</b> Reduce 32 FTE Regular Teacher positions	\$2,220,110
<b>R3.2</b> Negotiate an increase to employee health insurance contribution rate to 10 percent	\$280,000
<b>R3.6</b> Reduce sick leave usage for certificated personnel	\$32,720
<b>Total</b>	<b>\$2,532,830</b>

## Appendix 3-A: Employee Survey Responses

Audit staff administered a survey to obtain employee feedback and perceptions concerning human resources management. The survey was administered to approximately 290 individuals and 101 employees completed it, for a participation rate of approximately 35 percent. Approximately 95 percent of the respondents (96) completed the human resources section of the survey. Survey responses were based on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree.

Table 3-A1 illustrates the results.

**Table 3-A1: Human Resources Survey Responses**

Survey Questions	Edison LSD Results
1) Cross training has been implemented in my department. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	6% 19% 37% 24% 11%
2) Current discipline procedures are fair and effective. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	9% 16% 39% 27% 6%
3) Current grievance procedures are fair and effective. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	4% 12% 43% 28% 10%
4) Current substitute system is effective in placing substitutes. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	5% 14% 32% 39% 7%
5) Evaluations are done in accordance with collective bargaining contracts. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	2% 4% 14% 40% 37%
6) I am aware of few lapses in certificate/licenses due to lack of management oversight. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	13% 12% 40% 23% 9%

Survey Questions	Edison LSD Results
7) I am aware of the Board of Education's achievement goals. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	8% <b>28%</b> 25% 23% 13%
8) I am aware of the duties required in my job description. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	0% 3% 5% 33% <b>56%</b>
9) I am evaluated annually. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	4% 7% 10% <b>44%</b> 32%
10) I am informed of changes in District policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	20% 22% 14% <b>31%</b> 10%
11) I am satisfied with how human resources activities are managed in the District. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	23% <b>26%</b> <b>26%</b> 18% 4%
12) I am satisfied with procedures regarding health benefits. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	7% 13% 17% <b>37%</b> 23%
13) I am satisfied with the overall effectiveness of human resources management policies and procedures. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	19% <b>27%</b> <b>27%</b> 20% 4%
14) I feel overall District employee satisfaction and morale is positive. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	25% 25% <b>28%</b> 15% 4%
15) Management responds and acts on recommendations made in evaluation sessions. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	5% 14% <b>35%</b> 31% 12%

Survey Questions	Edison LSD Results
16) My job description accurately reflects my actual daily routine. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	2% 7% 12% 35% <b>41%</b>
17) Our department could effectively maintain productivity in the event of a short-term absence. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	5% 8% 10% 36% <b>38%</b>
18) Staff training is effective in my department. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	3% 14% 23% <b>35%</b> 22%
19) The Board of Education monitors its performance and achievement of its goals. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	6% 17% <b>34%</b> 30% 10%
20) The District's employee substitutes are qualified and effective. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	4% 12% 24% <b>46%</b> 11%
21) The District's employee sick leave policy is too lenient. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	31% <b>42%</b> 14% 5% 5%
22) The District's overall recruitment process is effective. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	16% 29% <b>33%</b> 15% 4%
23) The District's procedures regarding job posting and hiring are effective. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	22% 19% 19% <b>32%</b> 5%
24) The evaluation form used is relevant to my job duties. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	2% 7% 16% <b>43%</b> 29%

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<b>Survey Questions</b>	<b>Edison LSD Results</b>
26) The evaluation process provides timely and relevant feedback. 1) Strongly Disagree 2) Disagree 3) Neutral/No Opinion 4) Agree 5) Strongly Agree	4% 7% 13% <b>38%</b> 35%

**Source:** Survey of Edison LSD employees

**Note:** Because some individuals did not respond to all questions, survey percentages may not add up to 100 percent.

## Appendix 3-B: Summary of Objectives for Human Resources

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The following questions were used to evaluate the performance of the human resource function at Edison LSD:

- How do District staffing levels and personnel costs compare to peer districts and best practices?
- How do District bargaining agreements, and the District's bargaining process, compare to State requirements and best practices?
- How does the District handle human resources issues such as hiring, retention, and workplace climate?
- Does the District provide a comprehensive development program for all staff?
- Are Board members, the Superintendent, and the Treasurer able to effectively govern the District?
- Do the District's special education, at-risk, and workforce development programs effectively serve students?



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# Facilities

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## Background

This section of the performance audit focuses on custodial, maintenance, and building operations in the Edison Local School District (Edison LSD or the District). A summary of objectives for this section is presented in **Appendix 4-B**. The purpose of this section is to analyze building operations and develop recommendations for improvements in efficiency and possible reductions in expenditures. Throughout the section, comparisons are made to leading practices and benchmarks from the following organizations: the National Center for Education Statistics (NCES), the American School and University Magazine (AS&U), DeJong and Associates, Inc., and the average of 10 peer districts.<sup>1</sup> Finally, the Auditor of State (AOS) administered a survey of Edison LSD employees regarding custodial and maintenance services and those results have been used in the analyses. Survey questions and results can be found in **Appendix 4-A** at the end of this section of the audit report.

Edison LSD consists of seven school buildings: four elementary schools (grades pre-school to 4), two middle schools (grades 5 to 8), and one high school (grades 9 to 12).<sup>2</sup> The District's administrative offices are housed in Stanton Middle School. Additional facilities include three bus garages located throughout the District.<sup>3</sup> Edison LSD students are predominantly drawn from the towns of Irondale, Stratton, Empire, Richmond, Amsterdam, and Bergholz.

### *Organizational Structure and Function*

**Table 4-1** illustrates the District's Maintenance and Operations Department (M&O Department) staffing levels by position and by full-time equivalent (FTE) in fiscal year (FY) 2006-07.

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

<sup>2</sup> During the course of the performance audit, Edison LSD's Board of Education (Board) adopted a resolution to close Richmond and Irondale elementary schools.

<sup>3</sup> The three bus garages are remnants of the configuration of the three districts (Jefferson Union Local School District, Stanton Local School District, Springfield Local School District) before they were consolidated. Each garage is relatively small and located near one of District's school buildings.

**Table 4-1: M&O Positions and FTEs per Building**

<b>Building</b>	<b>Positions</b>	<b>Custodial FTEs<sup>1</sup></b>	<b>Maintenance FTEs<sup>1</sup></b>	<b>Grounds FTEs<sup>1</sup></b>	<b>Total FTEs</b>
Administrative <sup>2</sup>	2.0	0.0	0.0	0.0	1.0
Edison High	6.0	4.1	0.3	0.5	4.9
Irondale Elem	3.0	1.8	0.3	0.3	2.3
John E Gregg Elem	3.0	1.2	0.5	0.5	2.2
Pleasant Hill Elem	2.0	1.1	0.4	0.4	1.8
Richmond Elem	3.0	1.6	0.4	0.3	2.2
Springfield Middle	4.0	2.8	0.1	0.3	3.2
Stanton Middle	4.0	1.4	0.3	1.5	3.2
District Truck Delivery	1.0	0.0	0.0	0.0	0.3
<b>Totals<sup>3</sup></b>	<b>28.0</b>	<b>14.0</b>	<b>2.1</b>	<b>3.7</b>	<b>21.1</b>

**Source:** Edison LSD

<sup>1</sup>Maintenance and grounds-keeping functions are performed by custodial staff. FTE calculations are based on estimates made by building principals.

<sup>2</sup>Administrative positions include the M&O Supervisor and a secretary who divide their time between M&O operations and transportation.

<sup>3</sup>Totals may not sum due to rounding.

The M&O Supervisor performs administrative functions for the M&O Department, such as maintenance and custodial work prioritization, and personnel and contract management. The M&O Supervisor and secretary also allocate 50 percent of their time to the Transportation Department.

In larger buildings, the head custodians report directly to the principals and are responsible for day-to-day management of the custodial and night building cleaner staff.<sup>4</sup> Throughout the District, the custodial staff is responsible for providing a clean and safe environment for students, employees, and community members. In addition to their custodial functions, the custodial staff is responsible for day-to-day light building maintenance and grounds-keeping.

### *Key Statistics*

Key statistics related to Edison LSD's M&O Department are presented in **Table 4-2**. In addition, results from the *35<sup>th</sup> Annual Maintenance & Operations Cost Study* (AS&U, 2006) and statistics from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) are used in **Table 4-2** and throughout this section of the audit. AS&U conducted a detailed survey of administrators at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. AS&U provides the national median and a mean number for each expenditure category for districts with enrollment of less

<sup>4</sup> The classified collective bargaining agreement makes a distinction between custodians and night building cleaners. However, night building cleaners perform custodial functions, and for the purposes of these analyses are categorized as custodians. The night building cleaners will be termed "custodians" through the remainder of this section.

than 1,000 students, between 1,000 and 3,499 students, and greater than 3,500 students. In some areas, the NCES benchmarks were used as they provide standards that reflect a higher degree of efficiency or effectiveness.

**Table 4-2: FY 2005-06 Key Statistics and Indicators**

<b>Number of School Buildings</b> <sup>1</sup>	<b>7</b>
Elementary Schools	4
Middle Schools	2
High School	1
<b>Total Square Feet Maintained</b>	<b>352,815</b>
Elementary Schools	127,857
Middle Schools	148,443
High School	76,515
<b>Square Feet Per FTE Custodial Staff Member (14.0 FTEs)</b>	<b>25,201</b>
Elementary Schools (5.8 FTE)	22,044
Middle Schools (4.2 FTE)	35,344 <sup>2</sup>
High School (4.1 FTE)	18,662
<b>NCES National Average</b> <sup>3</sup>	<b>29,500</b>
<b>Square Feet Per Maintenance Staff Member (2.1 FTEs)</b>	<b>168,007</b>
<b>AS&amp;U 35<sup>th</sup> Annual Cost Survey &gt;3,500 Student Median</b>	<b>116,272</b>
<b>FY 2005-06 Maintenance and Operations (M&amp;O) Expenditures Per Square Foot</b> <sup>4</sup>	<b>\$5.78</b>
Custodial and Maintenance	\$2.51
Utilities	\$1.51
<b>AS&amp;U Annual Cost Survey &gt;3,500 Student Median</b>	<b>\$4.29</b>
<b>Type 1 Peer Districts' Average Expenditures per Square Foot</b>	<b>\$4.74</b>

Source: Edison LSD, AS&U 35<sup>th</sup> Annual Cost Study, and NCES

<sup>1</sup> Does not include the District's three bus garages as part of total buildings and/or square footage maintained by M&O Department personnel because these are not cleaned by Department personnel.

<sup>2</sup> The square footage maintained in the middle schools includes an 8,807 square foot natatorium and a 7,198 square foot auditorium. If these areas are removed from the calculation (because they are not used with the same frequency as a regular classroom), the total square footage for the middle schools is 132,438 and the square feet cleaned per middle school FTE is 31,530.

<sup>3</sup> NCES states that between 28,000 and 31,000 square feet maintained per FTE is considered acceptable. The average of 29,500 is used in this analysis.

<sup>4</sup> Cost per square foot may vary due to rounding.

As shown in **Table 4-2**, the custodial staff maintains fewer square feet per FTE than the NCES benchmark of 29,500 square feet. The maintenance staff, however, maintains more square feet per FTE than the AS&U national median of 116,272 square feet. However, Edison LSD contracts-out large maintenance jobs or those requiring specialized skills or equipment. Therefore, District staff may be able to undertake less specialized maintenance responsibilities for a larger area. Edison LSD may be able to better balance its custodial and maintenance functions by reallocating job duties and reducing staffing levels to meet the NCES and AS&U benchmarks (see **R4.2**).

**Table 4-3** highlights the General Fund expenditures incurred to maintain and operate Edison LSD facilities for FY 2003-04, FY 2004-05, and FY 2005-06.

**Table 4-3: M&O Expenditures, Three Year History**

Object Category	FY 2003-04	FY 2004-05	Percent Change	FY 2005-06	Percent Change
Salaries/benefits	\$843,655	\$943,116	11.8%	\$885,175	(6.1%)
Purchased Services (excl. utilities)	\$182,722	\$168,266	(7.9%)	\$156,649	(6.9%)
Utilities <sup>1</sup>	\$424,680	\$458,839	8.0%	\$533,185	16.2%
Materials/ Supplies	\$89,427	\$98,742	10.4%	\$102,801	4.1%
Capital Outlay <sup>2</sup>	\$101,622	\$489,099	381.3%	\$361,616	(26.1%)
<b>Total General Fund</b>	<b>\$1,642,106</b>	<b>\$2,158,062</b>	<b>31.4%</b>	<b>\$2,039,426</b>	<b>(5.5%)</b>

Source: Edison LSD 4502 reports (Statements P & Q)

<sup>1</sup> Utilities consist of gas, electricity, and water/sewage expenditures.

<sup>2</sup> In FY 2004-05 and FY 2005-06, the District contracted out to replace the roofs on several buildings.

**Table 4-3** shows a significant increase in M&O Department expenditures for utilities, which increased about 8 percent from FY 2003-04 to FY 2004-05 and about 16 percent from FY 2004-05 to FY 2005-06. Within utilities, the largest increase can be attributed to the 31 percent increase in natural gas expenditures driven by market price increases. The most significant variance in M&O Department expenditures was in capital outlay, attributable to the replacement of several District building roofs in FY 2004-05 and FY 2005-06. The decline in capital outlay from FY 2004-05 to FY 2005-06 reflects the completion of the roof project.

**Table 4-4** illustrates Edison LSD's FY 2005-06 General Fund custodial and maintenance related expenditures per square foot in comparison to the peer district averages and the AS&U cost study.

**Table 4-4: M&O Department Expenditures per Square Foot, FY 2005-06**

Object Category	Edison LSD	Peer District Average	Percent Difference	AS&U Median 1,000 - 3,499 Students	Percent Difference
<b>District Square Feet</b>	<b>352,815</b>	<b>221,424</b>	<b>59.3%</b>		
<b>Salaries/ Benefits</b> Per Square Foot	\$2.51	\$2.48	1.0%	\$2.14	17.2%
<b>Purchased Services</b> <sup>1</sup> Per Square Foot	\$0.44	\$0.54	(18.4%)	\$0.16	177.5%
<b>Utilities</b> Per Square Foot	\$1.51	\$1.32	14.8%	\$1.16	30.3%
<b>Materials/ Supplies</b> Per Square Foot	\$0.29	\$0.34	(14.7%)	\$0.34	(14.7%)
<b>Capital Outlay</b> Per Square Foot	\$1.02	\$0.05	1,935.7%	N/A	N/A
<b>Total General Fund Expenditures</b> Per Square Foot	<b>\$5.78</b>	<b>\$4.74</b>	<b>22.0%</b>	<b>\$3.94</b>	<b>46.7%</b>

**Source:** Edison LSD financial records, peer district average, and AS&U 35<sup>th</sup> Annual M&O Cost Study

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

N/A: Represents an expenditure type that is not recorded by the AS&U median.

<sup>1</sup> Excludes utilities.

As shown in **Table 4-4**, Edison LSD's total cost per square foot in FY 2005-06 was 22 percent higher than the peer average and about 47 percent higher than the AS&U median. The most significant difference between Edison LSD and the peer average was in capital outlay expenditures per square foot, which were \$1.02 compared to the peer district's average of \$0.05. Edison LSD's cost per square foot was above the AS&U standards in every category except for capital outlay, which was not included in the AS&U survey. The cost per square foot for salaries and benefits is higher than the AS&U median due, in part, to high health care costs (see the **human resources** section for further discussion) and low utilization rates in the District's facilities (see **R4.1**). In addition, while utilities costs are higher, they may be controllable through more aggressive energy management (see **R4.6**). Using the recommendations in this section, the District could reduce selected M&O expenditures to bring them more in line with these benchmarks.

## Recommendations

**R4.1** Based on capacity and building utilization analyses, Edison LSD should consider closing two buildings. One option would be to close an elementary building and a middle school building and reconfiguring grades by moving the fifth grade from the middle school to the elementary schools. By closing buildings and reconfiguring grade levels, Edison LSD can increase utilization rates and promote more efficient use of its facilities. The implementation of this recommendation would also result in reduced personnel and maintenance costs (see R4.2). Over the long-term, the District should develop its own enrollment, capacity, and utilization rate analyses; updating and evaluating them on an annual basis (see R4.3).

During the course of the performance audit, Edison LSD's Board of Education (Board) adopted a resolution to close Richmond and Irondale elementary schools.

Since FY 1996-97, Edison LSD enrollment has declined by 13.6 percent, with an average annual decrease of 1.4 percent. A high-level projection using the cohort survival method was developed by AOS. This methodology assumes that the rate of progression from one grade to the next will be consistent with rates of progression from previous years. It projects additional decreases through 2016, significantly impacting elementary grade levels.

**Table 4-5: Edison LSD Enrollment Projections by Grade-level**

Year	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2007	167	159	164	177	175	184	167	182	172	215	212	176	201	2,352
2008	163	160	157	168	176	178	183	169	183	177	212	198	167	2,291
2009	160	157	157	160	166	179	177	185	170	188	175	199	188	2,261
2010	157	153	154	160	158	169	178	179	186	175	186	164	189	2,209
2011	153	150	151	157	159	161	168	179	180	191	173	174	156	2,154
2012	150	147	148	154	156	162	160	170	181	185	189	162	166	2,129
2013	147	144	145	151	153	158	161	161	171	186	183	177	154	2,090
2014	143	141	142	148	149	155	157	162	163	176	184	172	168	2,059
2015	140	137	138	144	146	152	154	159	164	167	174	172	163	2,011
2016	137	134	135	141	143	149	151	156	160	168	165	163	163	1,965

Source: AOS and the Ohio Department of Education (ODE)

Note: Table 4-5 reflects proposed grade levels; elementary school (K to 4), middle school (5 to 8), and high school (9 to 12) and does not include pre-school enrollment.

Table 4-5 shows that projected enrollment for FY 2007-08 will be about 2,352 and will decrease to about 1,965 by FY 2016-17. This analysis suggests the District will likely lose about 400 students over the 10-year projection period. The greatest decline would occur in the elementary buildings during this period. Table 4-6 shows the District's

building utilization rates, which are based on FY 2006-07 headcounts and building configurations.

**Table 4-6: Edison LSD Building Capacity and Utilization Rates in FY 2006-07**

Building	Building Capacity	FY 2006-07 Enrollment	Over/(Under) Capacity	Building Utilization Rate	Number of Rooms <sup>3</sup>
Irondale Elementary	335	345	10	103.0%	13
John E. Gregg Elementary	570	269	(301)	47.2%	22
Pleasant Hill Elementary	325	253	(72)	77.8%	13
Richmond Elementary	250	239	(11)	95.6%	10
<b>Elementary School Total<sup>1</sup></b>	<b>1,510</b>	<b>1,106</b>	<b>(404)</b>	<b>73.2%</b>	<b>58</b>
Springfield Middle	408	342	(66)	83.8%	18
Stanton Middle	642	386	(256)	60.1%	29
<b>Middle School Total<sup>2</sup></b>	<b>1,050</b>	<b>728</b>	<b>(322)</b>	<b>69.3%</b>	<b>47</b>
Edison High	833	804	(29)	96.5%	38
<b>High School Total<sup>2</sup></b>	<b>833</b>	<b>804</b>	<b>(29)</b>	<b>96.5%</b>	<b>38</b>
<b>Total All Buildings</b>	<b>3,393</b>	<b>2,638</b>	<b>(755)</b>	<b>77.7%</b>	<b>143</b>

Source: Edison LSD, ODE, and DeJong & Associates, Inc.

<sup>1</sup> Elementary schools exclude art/music, computer labs, libraries, and gyms from building capacity.

<sup>2</sup> Middle and high schools include art/music, gyms, and computer labs as teaching stations and capacity represents 85 percent of actual capacity.

<sup>3</sup> The number of rooms for each building excludes pull-out, resource, and special needs classrooms for the building capacity calculations.

**Table 4-6** shows the individual building utilization rates after six years of enrollment decline. The full impact of declining enrollment is more apparent when examined in aggregate as the District falls well below the recommended utilization rate of 85 percent.

In FY 2005-06, the District reconfigured the grade levels at two of the elementary schools and implemented a shared-principal program in an effort to reduce costs. In addition, during the course of the performance audit, the Board adopted a resolution to close Richmond and Irondale Elementary schools at the end of FY 2006-07. According to Edison LSD personnel, the intent is to educate almost all of the displaced students at John Gregg Elementary.

Undertaking additional building closures will decrease available capacity by several hundred students and, as a result, raise the utilization rate. The closure of two buildings will raise the utilization rate to near the optimal usage rate of 85 percent. However, if enrollment continues to decline, Edison LSD may need to make additional building closures to maintain optimal utilization rates.

*Financial Implication:* Based on FY 2005-06 actual M&O expenditures, the District can save about \$41,900 in utilities by closing two schools. In addition, it can eliminate 10 positions -- three custodians, four night building cleaners, two secretaries, and one principal -- for an additional \$391,000 in savings. The cost savings will be similar for the closures approved by the District.

- R4.2 Edison LSD should reallocate 0.6 FTEs from custodial tasks to maintenance and grounds keeping tasks in conjunction with the 4.4 custodial FTE reductions caused by the building closures (see R4.1). The reallocation of duties and reduction of custodians would bring staffing levels more in line with benchmarks while maintaining current service levels. Subsequently, this would increase the District's ability to perform preventive maintenance on existing facilities and grounds, increase the efficiency of the Department, and reduce non-instructional costs.**

**During the course of the audit, Edison LSD reallocated staffing within its buildings to achieve additional cost savings.**

As indicated by **Table 4-1**, the Edison LSD's total staffing in FY 2006-07 was 20.1 FTE for custodial, maintenance, grounds keeping, and delivery functions. As Edison LSD is closing two buildings for FY 2007-08, its M&O staffing could be reduced by 4.4 custodial FTE.

**Table 4-7** illustrates the change in staffing as it relates to square footage and acreage maintained per FTE based on the building closures planned for FY 2007-08.

**Table 4-7: Staffing Levels with Proposed Building Closures**

	FY 2006-07 <sup>1</sup>	FY 2007-08 Proposed Reduction	FY 2007-08 After Building Closure
<b>Total Custodial Square Footage</b>	352,815	87,632	265,183
<b>Custodial FTE</b>	14.0	4.4	9.6
<b>Custodial Square footage/FTE</b>	25,201	--	27,739
<b>Custodial FTE to Meet NCES Benchmark (29,500/FTE)</b>	12.0	--	9.0
<b>Over/ (under)</b>	2.0	--	0.6
<b>Total Maintenance Square Footage</b>	352,815	87,632	265,183
<b>Maintenance FTE</b>	2.1	0.5	2.6
<b>Maintenance Square Footage/FTE</b>	170,031	--	166,259
<b>Maintenance FTE to Meet AS&amp;U Benchmark (116,272/FTE)</b>	3.0	--	2.3
<b>Over/ (under)</b>	(1.0)	--	(0.7)
<b>Grounds Acreage</b>	169	10	159
<b>Grounds FTE</b>	3.65	0.50	3.15
<b>Grounds Acreage/FTE</b>	46	0	50
<b>AS&amp;U Benchmark (43 acres/FTE)</b>	3.9	--	3.7
<b>Over/ (under)</b>	(0.28)	--	(0.55)
<b>Total FTE</b>	19.7	--	14.3
<b>Total to Meet Benchmarks</b>	18.9	--	15.0
<b>Total Over/ (Under)</b>	0.8	--	(0.7)

Source: Edison LSD, NCES, and AS&U

Note: Staffing FTEs were calculated from building principals' estimations of time spent performing each task.

<sup>1</sup>Staffing levels do not include District delivery position (0.3 FTE).

The adjusted square footage per custodial FTE, after the closure, results in a ratio (approximately 27,700 square feet to 1 FTE) approaching the NCES benchmark of 29,500. The reallocation of 0.6 custodial FTE to maintenance and grounds keeping duties would help balance the FTE allocation when compared to the AS&U benchmarks. With the disposal of the closed buildings, a related decrease in the acreage requiring mowing would also be realized.

According to the survey of District employees administered by AOS, when asked if custodial tasks are completed efficiently, 64 percent agreed; when asked if facilities are properly cleaned, 68 percent of the respondents agreed; and when asked if there appears to a sufficient number of custodians in their building, 72 percent of the respondents agreed (see **Appendix 4-A** for details). Survey responses indicate that custodians are able to accomplish their workloads without difficulty and are effective in their cleaning practices. Therefore, they would be able to easily acclimate to a slightly higher square footage. Through reallocation and reduction of M&O staffing, Edison LSD would achieve greater efficiency in its custodial, maintenance, and grounds keeping functions.

#### **R4.3 Edison LSD should develop a comprehensive facilities' master plan that uses elements of the Ohio School Facilities Commission (OSFC) assessment as a starting**

**point. This plan should be a road map for addressing future facility needs and planned educational programs. Similarly, it should be linked to the District's overall strategic plan and used as a foundation to initiate a facilities auditing program. Additionally, the District should develop and annually update a formal five-year capital improvement plan to ensure that critical repairs or equipment replacements are completed. The capital improvement plan should include a project categorization and prioritization system that provides management with revenue sources and cost estimates, project timelines, and a breakdown between maintenance tasks and capital projects. Doing so would help guarantee timely completion of work and minimize safety hazards and building deterioration.**

The District does not have a comprehensive facilities master plan that includes long- and short-term goals. Likewise, the District does not have a capital improvement plan that addresses critical repairs and equipment replacement.

In 2002, the OSFC completed an assessment of District facilities, which included recommendations for improvements. A facility audit was completed in July 2002, as part of the OSFC assessment. OSFC analyzed the condition of all District school buildings and evaluated capacity and building utilization. However, Edison LSD has not conducted annual facilities audits to update the OSFC audits, nor does it maintain a formal record of the District's facility conditions. Likewise, it has not updated the OSFC plan or its enrollment projections.

According to *Creating a Successful Facility Master Plan* (DeJong and Staskiewicz, 2001), a facility master plan is a district-wide plan for all facilities. The plan should clearly state what buildings are going to be kept, which should be closed, which are going to be renovated, and what, if any, new buildings are going to be built. It should be developed on the foundation of sound data and community input and should be a road map for addressing the district's facility needs. The plan should not be based solely on facility conditions and demographics.

The facility master plan should specify the projects that have been identified, the timing and sequencing of the projects, and their estimated costs. A district-wide facility master plan typically spans ten-years, and therefore, will need to be updated periodically to incorporate improvements, changes in demographics, or other educational directions.

A successful facilities master plan typically includes the following elements:

- Historical and projected enrollment;
- Demographic profile of the community/school district;
- Facility inventory – condition assessment of school facilities, educational adequacy assessment of facilities;
- Capacity analysis;

- Academic goals and the role of facilities in achieving them; and
- Financial and tax information.

Other components of a master plan include a capital improvement plan which details large maintenance and construction projects on a five-year schedule. According to *Preventive Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000), a capital improvement program is a schedule of capital improvements, listed in priority order, over a number of years. The capital improvement program's time span typically coincides with the long-range plan. In contrast to the long-range plan, the capital improvement program is a set of proposed actions. It proposes specific projects to meet the needs identified in the long-range plan. If the long-range plan offers a range of alternatives, the capital improvement program identifies the specific course of action the jurisdiction intends to take. Capital improvement programs typically include remodeling and new construction, as well as major maintenance projects.

*Best Practices in Public Budgeting* (GFOA, 2000) recommends that governments develop specific capital project options for addressing capital needs that are consistent with financial, programmatic, and capital policies. The rationale behind this type of capital planning is that it is necessary to give adequate consideration to longer-range needs and goals, evaluate funding requirements and options, and achieve consensus on the physical development of the community. An evaluation of alternative service delivery mechanisms helps ensure that the best approach for using a capital asset or facility is chosen based on the policies and goals of the government.

In order to ensure that the master plan and capital improvement plan target the most critical facility issues, facility audits should be conducted on an annual basis. *The Planning Guide for School Maintaining School Facilities* (NCES, 2003) indicates that facility audits should be a routine part of the facilities maintenance program. A facility audit is a comprehensive review of a district's assets, and is a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. Facility audits are important because they help planners, managers, and staff understand the condition of facilities, service history, maintenance needs, and location. The audits rely on facts rather than guesswork to establish plans for maintaining and improving school facilities, and allow in-depth analyses of product life cycles to occur on a routine basis, measuring actual life versus expected life. Once initiated, audits must be performed on a regular basis (e.g. annually) because conditions change constantly. If facility audits are an ongoing feature of maintenance management, compiling and maintaining each year's data can make the next year's audit task easier.

NCES further notes that by integrating the findings of annual audits over time, planners can confirm facilities and components' life cycles, the impact of various maintenance

strategies and efforts on product life cycles, and the future demands the aging process might place on the infrastructure of a school district. This information can be used to increase the efficiency and cost-effectiveness of facility use and maintenance efforts.

A facility master plan, if developed appropriately, has the potential to have a significant effect on the quality of education in the District. Furthermore, by developing and implementing an accurate master plan, the District will be in a better position to plan for the future of its facilities. As a component of the master plan and capital improvement plans, Edison LSD will need to complete regular audits so that decision-makers can be assured of accurate facilities use and condition information. This can be achieved at a minimal cost to the District if it uses existing resources.

**R4.4 Edison LSD should consider enhancing its work order system by developing and implementing a process for tracking and recording supplies and labor costs associated with work orders on a building by building basis. This could be achieved by adding a “materials cost” and “labor hours used” field on the work order form and recording data from these fields in an already existing spreadsheet. By capturing these costs on a per-building or per-job basis, the District would be in a better position when budgeting for future projects. Additionally, the District should develop a formal process of prioritizing work orders.**

The District’s work order system is manual, which generally consists of a written “request for maintenance” form that is prepared by a District employee and submitted to the building principal for approval or denial. If the principal approves the work to be completed, he alerts the building custodian and the M&O Supervisor of the issue. The M&O Supervisor either approves or denies the request. If approved, the work order is forwarded to the appropriate building custodian for completion. Upon completion of the task, the employee returns the work order to the M&O Supervisor to be filed. District personnel indicated that work is tracked within a spreadsheet by the Supervisor.

While the “request for maintenance” contains most recommended elements, the work order system does not include supplies and labor costs on a per-work order or per-building basis. Moreover, Edison LSD does not have written guidelines for prioritizing maintenance work orders. Rather, the M&O Department indicates that it relies on a “common sense” approach to prioritizing work order.

According to the *Planning Guide for Maintaining School Facilities*, (NCES, 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work is done, and track costs for parts and labor. At a minimum, work order systems should account for the following:

- Date the request was received;
- Date the request was approved;
- Job tracking number;
- Job status (received, assigned, ongoing, or completed);
- Job priority (emergency, routine, or preventive);
- Job location;
- Entry user (the person requesting the work);
- Person assigned to the job;
- Supply and labor costs for the job; and
- Job completion date/time.

The work order is then submitted to the maintenance office for closeout. Upon closing out a work order, all information about the request should be placed in an archive for future historical and analytical use (like determining the yearly cost of building maintenance).

Furthermore, *Ins and Outs of School Facility Management, More than Bricks and Mortar* (Chan and Richardson, 2005), states that when prioritizing maintenance, managers should use the following principles: safety, deadline, length of time, first-come-first-serve, nature of requested work, and geographic location.

Tracking supply and labor costs for the tasks assigned through work orders makes the District aware of those costs on a per-building or per-task basis and better enables it to budget for future tasks. In addition, a formal system for prioritizing tasks would ensure that health and safety issues are addressed quickly and building staff is informed about when repairs will be completed.

**R4.5 The Board should implement a formal District-wide energy conservation policy that addresses increasing energy use and the associated costs. By doing so, Edison LSD could generate potential cost savings of about 15 percent of current expenditures. In addition, the District should develop an energy conservation education component for this program to reinforce conservation-oriented practices among students and staff.**

According to the District, energy conservation programs are developed and implemented on a building-specific basis. Creation and implementation rests primarily with building principals. In 1994, Edison LSD hired a contractor to investigate means by which the District could reduce energy consumption. At present, it does not have a formal District-wide policy or plan to address energy use and conservation. In addition, it does not have an educational plan that addresses minimizing energy usage or that raises energy conservation awareness among the students and staff.

To illustrate the impact of utility expenditures on Edison LSD's financial condition, overall utility costs for the District were \$1.51 per square foot compared to \$1.32 per square foot for the peers and \$1.16 per square foot for the AS&U median. In FY 2005-06, Edison LSD's total electricity costs were approximately \$183,000, which equates to about \$0.52 per square foot. The District's electricity costs are projected to increase around 5 percent in FY 2007-08, increasing the financial impact of energy use on its General Fund. Approximately 50 percent of the District's utility cost is natural gas, which increased 31 percent in last two fiscal years.

The U.S. Department of Energy's (US DOE) publication *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (2004) suggests various best practices and programs for controlling energy costs. The following is a list of programs that could help the Edison LSD:

- *Energy Tracking and Accounting*, which includes collecting, recording and tracking monthly energy costs for analysis;
- *Voluntary Energy Awareness*, which includes educating the faculty, staff and students to be aware of energy costs and to do their part to control costs;
- *Performance Contracting*, which includes a contractual agreement with a performance contractor to provide energy services in exchange for a percentage of the savings; and
- *Quick Fix and Low Cost*, which includes identifying and repairing simple building problems that contribute to high energy consumption, such as weather-stripping around doors and windows.

Once a district has decided which program(s) to use, it must define and implement a district-wide energy policy. For an energy savings program to work, a district must be able to ensure the program is visible and well-communicated to all stakeholders. Furthermore, progress reporting should be conducted so that interest by the local school board, staff and the community is sustained. Likewise, the district should develop and implement a detailed energy conservation manual to inform and remind staff of the new policies and procedures.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), the cost of energy is a major item in any school budget and planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a school district achieve more effective 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; and
- Monitor each building's energy use.

Areas the US DOE identifies as likely targets for improvement to reduce excess energy consumption include:

- Lighting strategies;
- Computers and office equipment;
- The building envelope;
- HVAC;
- Water heating;
- Kitchen equipment; and
- Vending machines.

The US DOE estimates that some degree of energy awareness typically generates an immediate 1 to 3 percent operational savings.

In addition to becoming aware of energy use and conservation measures, the District could generate a higher degree of savings through the implementation of an energy conservation program. In the Lakota Local School District (Lakota LSD), for example, Union Elementary implemented an energy conservation program that sought to educate all students, staff, and visitors on use reduction techniques. The school enacted several leading practices in energy conservation and education. These energy conservation education measures were credited for producing cost savings for Union Elementary of approximately 21 percent relative to Lakota LSD's average elementary building.

*Financial Implication:* If Edison LSD were to implement a formal District-wide energy conservation educational program similar to that used at Union Elementary and adopt the US DOE recommended practices, it could potentially save approximately \$28,500.

**R4.6 Edison LSD should implement recommended practices to increase the efficiency level of the M&O Department. These practices include formalizing procedures and training, and improving preventive maintenance. Likewise, application and monitoring of benchmarks would ensure that custodians are able to complete their work within the allotted time frames.**

**Adopting recommended management practices will ensure the continued high service levels noted by facility users and help the M&O Department reduce costs, allowing the District to redirect scarce resources to direct instruction**

While the Department is able to complete cleaning tasks in an effective manner (based on the results in the survey in **Appendix 4-A**), tasks may not be completed in the most efficient manner. Overtime, as a percent of salary for Departmental staff, was between 4.9 and 6.9 percent over the past three fiscal years. *Maintenance Solutions* (January 2003)

recommends holding overtime as a percentage of maintenance salaries to less than 2 percent.

The District has not implemented formal policies and procedures nor has it developed a formal custodial and maintenance handbook. Similarly, the Department has not implemented formalized or standardized training that reflects proper M&O procedures for day-to-day operations. The absence of a manual and associated training inhibits the Department's ability to regularize processes used by custodians and share improved cleaning techniques.

To standardize custodial procedures and increase efficiency, the International Sanitary Supply Association (ISSA) recommends adopting a custodial and maintenance policy and procedures manual. Mansfield City School District has a custodial procedures manual that reflects recommended practices and industry standards. A custodial procedures manual includes specific cleaning procedures that cover all areas recommended by the ISSA. These areas include:

- Supplies;
- Basic office cleaning;
- Restroom cleaning and sanitation;
- Hard surface floor maintenance;
- Classroom and corridor cleaning; and
- Basic carpet care.

Understanding the most effective means of cleaning and caring for building components assists M&O departments in increasing the skill level of custodial workers and ensuring an efficient and sanitary workflow.

Furthermore, the District has not implemented a formal preventive maintenance program which would reduce emergency repairs and limit overtime needed to address critical system failures. Although the Department has adopted the practice of allowing skilled custodians to work overtime on repair tasks, it has not adopted a maintenance handbook that would outline standard procedures for their completion. Lastly, the M&O Department does not monitor its efficiency or effectiveness through the use of performance measures.

According to *Maintenance Solutions* (FacilitiesNet, 2003), organizations must measure and track maintenance efficiency to ensure they are performing at an appropriate level and using resources wisely. In the area of overtime, for example, hours should be held to less than 2 percent of total maintenance time. The following leading practices can help M&O departments increase their efficiency while maintaining effective custodial and maintenance operations:

- Skills training (qualification and certification programs);
- Work flow (proactive vs. reactive);
- Formal work order system (see **R4.4**);
- PM procedures (documentation of preventive maintenance);
- Maintenance planning (scheduled maintenance) (see **R4.3**);
- Inventory and purchasing integration;
- Measuring and reporting data; and
- Return on investment analysis (analyzing data measured and reported).

Likewise, to reduce the frequency of emergency repairs, districts should implement formal preventive maintenance programs. The Public School Facility Authority (PSFA) has developed a *Sample Preventive Maintenance Plan* (PSFA, 2006) to help New Mexico school districts complete a number of maintenance oriented activities. This document is more than just a preventive maintenance plan; it includes all the elements of an effective maintenance handbook. The *Sample Preventive Maintenance Plan* contains the following, which are elements of a best practice maintenance handbook:

- Maintenance mission statement and maintenance goals;
- Maintenance organization and staffing responsibilities;
- Maintenance priorities and procedures;
- Inspection and maintenance schedules;
- Scheduled preventative maintenance tasks;
- Established custodian duties and responsibilities;
- District facilities and equipment; and
- Planned major maintenance and repair projects.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends increasing staff training and learning opportunities specifically designed to help an employee do his or her job better. Such topics might include: asbestos awareness, energy systems, building knowledge, first aid, emergency response, biohazard disposal, technology use, universal precautions, and Right-to-Know laws. Through more regular, formal training, Edison LSD will help to ensure that custodial and maintenance personnel understand and use the best techniques for cleaning and maintaining its facilities.

By adopting leading practices in custodial and maintenance management, Edison LSD may be able to increase the efficiency in its M&O Department, and ultimately reduce M&O costs. Continuous monitoring of a select set of benchmarks, such as square footage cleaned, facility user satisfaction, work order costs, and overtime expenditures, will allow the M&O Supervisor and Superintendent to ensure the Department is operating efficiently. The abovementioned leading management practices could be implemented by Edison LSD within existing resources.

*Financial Implication:* If the District were to bring the M&O overtime hours to within 2 percent of total hours, it could save approximately \$12,300 in overtime costs in FY 2007-08.

## Financial Implications Summary

The following table summarizes estimated annual costs savings associated with the implementation of recommendations in this section of the performance audit.

### Summary of Financial Implications in Facilities

<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>
<b>R4.1</b> Close 2 buildings and reduce associated staffing levels	\$432,900
<b>R4.5</b> Design and implement an energy conservation education program.	\$28,500
<b>R4.6</b> Reduce M&O overtime hours to within 2 percent of total hours.	\$12,300
<b>Total</b>	<b>\$473,700</b>

## Appendix 4-A: Employee Survey Responses

AOS administered a survey to obtain employee feedback and perceptions concerning facility services. The survey was administered to approximately 290 individuals and 101 employees completed it for a participation rate of approximately 35 percent. Approximately 93 percent of the respondents (94) completed the facilities section of the survey. Survey responses were based on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 4-A1** illustrates the results.

**Table 4-A1: Facilities Survey Results**

Survey Questions	Responses <sup>1</sup>
<b>1) Work Orders are responded to in a timely manner</b>	
Strongly Disagree	2%
Disagree	14%
Neutral	22%
Agree	<b>44%</b>
Strongly Agree	12%
<b>2) Custodial and maintenance employees deliver quality services</b>	
Strongly Disagree	2%
Disagree	4%
Neutral	17%
Agree	<b>47%</b>
Strongly Agree	28%
<b>3) Emergency work orders are given top priority</b>	
Strongly Disagree	1%
Disagree	0%
Neutral	27%
Agree	<b>39%</b>
Strongly Agree	20%
<b>4) Schools are notified in advance of work to be performed</b>	
Strongly Disagree	2%
Disagree	13%
Neutral	<b>29%</b>
Agree	22%
Strongly Agree	10%
<b>5) Schools are advised of incomplete work orders</b>	
Strongly Disagree	3%
Disagree	9%
Neutral	<b>30%</b>
Agree	21%
Strongly Agree	5%

Survey Questions	Responses <sup>1</sup>
<b>6) Work is scheduled so it is not disruptive.</b>	
Strongly Disagree	5%
Disagree	11%
Neutral	18%
Agree	<b>49%</b>
Strongly Agree	7%
<b>7) Workers are careful near children.</b>	
Strongly Disagree	0%
Disagree	0%
Neutral	7%
Agree	<b>61%</b>
Strongly Agree	24%
<b>8) Overall, I am satisfied with the maintenance department</b>	
Strongly Disagree	2%
Disagree	1%
Neutral	16%
Agree	<b>52%</b>
Strongly Agree	23%
<b>9) The regular cleaning schedule appears to be appropriate</b>	
Strongly Disagree	2%
Disagree	12%
Neutral	13%
Agree	<b>54%</b>
Strongly Agree	17%
<b>10) Custodial tasks are completed efficiently</b>	
Strongly Disagree	1%
Disagree	12%
Neutral	20%
Agree	<b>37%</b>
Strongly Agree	27%
<b>11) Facilities are properly cleaned</b>	
Strongly Disagree	3%
Disagree	16%
Neutral	12%
Agree	<b>41%</b>
Strongly Agree	27%
<b>12) Custodians are polite and have a good work ethic and attitude</b>	
Strongly Disagree	4%
Disagree	2%
Neutral	10%
Agree	40%
Strongly Agree	<b>41%</b>

Survey Questions	Responses <sup>1</sup>
<b>13) There appears to be sufficient number of custodians in my building</b>	
Strongly Disagree	2%
Disagree	12%
Neutral	11%
Agree	<b>52%</b>
Strongly Agree	20%
<b>14) School grounds are properly maintained</b>	
Strongly Disagree	0%
Disagree	10%
Neutral	9%
Agree	<b>52%</b>
Strongly Agree	29%
<b>15) Custodial staff cooperates with other staff regarding safety of equipment on school grounds</b>	
Strongly Disagree	0%
Disagree	2%
Neutral	15%
Agree	<b>45%</b>
Strongly Agree	33%
<b>16) Work appears to be scheduled according to priorities</b>	
Strongly Disagree	1%
Disagree	3%
Neutral	21%
Agree	<b>46%</b>
Strongly Agree	21%
<b>17) Workers show respect for school property</b>	
Strongly Disagree	0%
Disagree	2%
Neutral	4%
Agree	<b>54%</b>
Strongly Agree	37%
<b>18) Playground equipment is properly maintained</b>	
Strongly Disagree	0%
Disagree	0%
Neutral	26%
Agree	<b>30%</b>
Strongly Agree	14%
<b>19) Overall, I am satisfied with the custodial staff's work</b>	
Strongly Disagree	1%
Disagree	6%
Neutral	13%
Agree	<b>48%</b>
Strongly Agree	31%

Source: Survey of District employees.

<sup>1</sup> Percentages for each item may not sum due to rounding or skipped responses.

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## **Appendix 4-B: Summary of Objectives for Facilities**

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The following questions were used to evaluate facility functions within Edison LSD:

- Does the M&O Department use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function and does it use these in management decision making?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Is the District's custodial and maintenance staffing comparable to best practices?
- Does the District provide a staff development program that includes appropriate training for maintenance and operations staff to enhance worker job satisfaction, efficiency, and safety?
- Are District energy management practices comparable to best practices?
- Are the District's facility management and planning practices comparable to best practices?
- Does the M&O Department have a system for prioritizing maintenance needs uniformly throughout the district?

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# Transportation

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## Background

This section of the performance audit focuses on Edison Local School District's (Edison LSD or the District) transportation operation. **Appendix 5-B** provides a summary of the audit objectives for the transportation section. Comparisons are made to 10 peer districts<sup>1</sup> and to other industry benchmarks, such as the American Association of School Administrators (AASA) and the Government Finance Officers Association (GFOA). In addition, the Auditor of State (AOS) administered a survey of Edison LSD's employees regarding transportation services and those results have been used in this report. **Appendix 5-A** contains a summary of the survey results.

### *State Pupil Transportation Requirements*

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school for all students in grades kindergarten through eight who live more than two miles from their assigned school. School districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their students. In addition, school districts must provide transportation to special needs students who are unable to walk to school, regardless of the distance. When required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on their unique needs.

### *Transportation Policy*

The District's transportation policy exceeds State minimum requirements, which is attributable to the rural setting and identified hazards (e.g., highways and lack of sidewalks). As stipulated by the Board of Education (the Board), the District transports all preschool students, regardless of distance, and students in grades kindergarten through 12 who live more than one mile from their assigned school. An exception to the one-mile requirement is granted to temporarily or permanently disabled children.

**Table 5-1** compares the basic demographics and expenditure data of Edison LSD and the peers.

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

**Table 5-1: Pupil Transportation Demographic and Expenditure Comparison**

	Edison LSD	Peer Average	Percent Above (Below)
<b>District Square Miles</b>	<b>208.0</b>	<b>115.4</b>	<b>80.2%</b>
<b>Number of Students</b>	<b>2,638.0</b>	<b>1,596.6</b>	<b>65.2%</b>
Per District Square Mile	12.7	15.3	(17.0%)
Population Density	81.0	98.1	(17.4%)
<b>Total General Fund Expenditures</b>	<b>\$18,882,790</b>	<b>\$11,383,346</b>	<b>65.9%</b>
<b>General Fund 2800 Function Code Expenditures</b>	<b>\$1,739,930</b>	<b>\$789,687</b>	<b>120.3%</b>
Average Per Student	\$660	\$463	42.6%
Average Percentage of General Fund	9.2%	6.4%	--

Source: Ohio Department of Education

As **Table 5-1** illustrates, the District's transportation operation, as it pertains to enrollment and expenditures, is significantly larger than that of the peers. In addition, the transportation operations at Edison LSD cover significantly more square miles than the peers while student density is lower. Edison LSD is a consolidation of three school districts, which helps explain its very large geographic area and low population density. In terms of the General Fund, the District's Pupil Transportation Support Services comprise 9.2 percent of total expenditures, exceeding the peer average. This also surpasses the national median of 4.8 percent for schools with student populations between 1,000 and 3,499, as established by American Schools and University Magazine (AS&U) in its 35<sup>th</sup> *Annual M & O Cost Study* (Argon, 2006).

### *Operating Statistics*

During FY 2005-06, Edison LSD provided transportation to 2,226 Type I riders who attended 7 public and 4 non-public school sites using a two-tiered routing system with some additional mid-day and special runs. Type I services<sup>2</sup> typically comprise the majority of transportation-related costs for which school districts are reimbursed by the Ohio Department of Education (ODE). The Transportation Supervisor evaluates ridership levels throughout the year for potential routing changes which, if deemed necessary, are submitted to the Board for approval. **Table 5-2** compares the District's transportation statistics to the peer average.

<sup>2</sup> ODE classifies pupil transportation ridership by the following types: Type I (riders on Board-owned yellow buses), IA (riders on another district(s) buses), II (riders on outsourced/leased, contractor-owned buses), III (riders on public utilities such as taxis), IV (payment in lieu), V (riders on Board-owned vehicles other than buses), VI (riders on privately-owned vehicles), and VII (community school riders).

**Table 5-2: Pupil Transportation Operating Statistics – FY 2005-06**

	Edison LSD	Peer Average	Percent Above (Below)
<b>Regular Driver FTEs</b>	<b>29</b>	<b>14.8</b>	<b>95.9%</b>
<b>Riders</b>	<b>2,226</b>	<b>1,291</b>	<b>72.4%</b>
• Regular Needs	2,226	1,283	73.5%
• Special Needs	49 <sup>2</sup>	8.6	469%)
<b>Buses</b>	<b>39</b>	<b>21.6</b>	<b>80.6%</b>
• Active	29	17	70.6
• Spare	10 <sup>3</sup>	4.6	117.4%
<b>Spare Buses As % of Fleet</b>	25.6%	22.8%	2.8%
<b>Special Needs Buses</b>	0.0	1.3	--)
<b>Special Needs Buses as % of Active Buses</b>	0.0%	9.9%	--)
<b>Riders Per Active Bus</b>	<b>76.8</b>	<b>70.5</b>	<b>8.9%</b>
<b>Annual Routine Miles<sup>1</sup></b>	<b>611,820</b>	<b>273,618</b>	<b>123.6%</b>
• Per Bus (including spares)	15,688	11,337	38.4%
<b>Total Expenditures</b>	<b>\$1,580,387</b>	<b>\$734,979</b>	<b>115.0%</b>
• Per Rider	\$710	\$586	21.2%
• Per Bus	\$40,523	\$31,194	29.9%
• Per Routine Mile	\$2.58	\$2.78	(7.1%)

Source: Ohio Department of Education

Note: Figures include both regular and special needs-related expenditures and are rounded to nearest \$1.

<sup>1</sup> Excludes non-routine miles because related expenditures are non-reimbursable. Routine miles refer to trips necessary for the daily attendance of children in their educational program, whereas non-routine miles typically refer to field trips.

<sup>2</sup> These riders were not reported on the T-Forms (see **R5.1**).

<sup>3</sup> The District eliminated one spare bus in FY 2006-07.

In FY 2005-06, Edison LSD reported \$1,580,387 in pupil transportation-related expenditures, of which ODE reimbursed about 54 percent. Transportation expenditures are significantly higher than the peer average and are attributable to the District's geographic size, the number of miles traveled, and the number of buses and riders.

Edison LSD's ratio of riders per active bus is 8.9 percent higher than that of the peer average. While efficient when compared to the peers, the District could improve this ratio with improved routing techniques (e.g., using routing software, adjusting bell-schedules) and through fleet and staffing reductions (see **R5.2**). Between FY 2003-04 and 2006-07, the District's Type I ridership levels decreased by 444 riders (or 18 percent). Since then, the District has reduced its fleet by only 2 active buses and 1 spare. Additional reductions to its fleet size will help bring Edison LSD's expenditure ratios more in line with the peer average.

Special needs riders are transported under contract with a local company. The District is charged a daily rate per student with the average cost per rider being about \$2,000 annually. Although special needs transportation costs vary widely between districts in Ohio, Edison LSD's contracted service costs are moderate and appear reasonable in relation to other districts.

Edison LSD has also developed effective fuel management and insurance purchasing practices. Drivers record the gallons of fuel obtained each day and the mileage driven, and the Transportation Supervisor checks the tank levels each month. This information is reconciled to ensure that fuel is used appropriately. Fueling locations also have strong physical security measures to guard against theft and the District bids both fuel and bus insurance competitively.

## **Recommendations**

- R5.1 Edison LSD should establish formal standard operating procedures (SOPs) to ensure accurate T-Forms are prepared, reviewed, and reconciled before submission to ODE. In developing these SOPs, the Transportation Supervisor should consult with the Treasurer to establish guidelines for reconciling ridership counts, particularly special needs, and related expenditures. For example, the Treasurer should reconcile the T-2 with expenditures contained in the 4502 to ensure variances are explained and the form is submitted in accordance with ODE instructions. This will help ensure the District receives all State reimbursement funding for which it is eligible. In addition, the Transportation Supervisor and Treasurer should collaborate to ensure T-1 ridership counts are accurate and identify ridership fluctuations from previous years. This will help the District route more effectively through improved anticipation of fleet and staffing needs.**

The Transportation Supervisor, Transportation Secretary, and Treasurer collaborate to complete and submit T-Forms to ODE; however, this process has not been formalized in SOPs. In all areas of transportation operations, traditional, informal practices guide decision-making by the Transportation Supervisor, bus drivers, mechanics, and other District administrators. For example, the Transportation Secretary compiles and submits T-Form information to the Transportation Supervisor. The Transportation Supervisor then signs it and transmits it to the Superintendent and Treasurer for review and approval before it is submitted to ODE. According to the Transportation Supervisor, the District follows established ODE instructions to complete the T-Forms. In FY 2006-07, however, the District misreported Type VI special needs ridership to ODE, excluding approximately \$97,000 in reimbursable expenditures. This error is attributable, in part, to the absence of formal SOPs.

The GFOA recommends government agencies document critical activities through formal policies and procedures which should be readily available to all employees who need them. The policies and procedures should delineate the authority and responsibilities of all employees. A well-designed and properly maintained system of documentation enhances both accountability and consistency, and can also serve as a useful training tool for staff. SOPs are one of the basic elements of internal controls and should be considered a key element in any government service. SOPs generally describe, in detail, those critical activities personnel perform on a day-to-day basis. Formal and comprehensive SOPs also enable governmental entities to describe particular functions to both internal and external stakeholders.

Without formal SOPs, Edison LSD cannot effectively ensure data accuracy, which can negatively impact the District's financial outlook. Inaccurate information can lead to poor

management decisions that may unnecessarily increase expenditures or prevent the District from maximizing reimbursements for transportation services.

**R5.2 In consideration of significant declines in enrollment and ridership, Edison LSD should reduce its fleet by eight active and four spare buses. This will increase ridership to approximately 100 riders per bus and bring expenditure ratios more in line with the peer average, assuming the District maintains its two-tiered routing system. The District should reduce staffing levels by eight regular drivers and stagger its bell schedule to accommodate two-tiered routes and building closures. Finally, the Transportation Supervisor should obtain necessary training on existing routing software to assist in managing the changing needs of the District.**

**During the course of this audit, Edison LSD reduced one route and bus, including the driver position.**

Between FYs 2003-04 and 2006-07, District Type I ridership decreased by 12.3 percent – from 79.6 riders per bus to 69.8. This can be attributed to enrollment declines, as well as inefficient routing practices. According to *Hidden Savings in Your Bus Budget*, (AASA, 2005), an effective pupil-to-bus ratio should average at least 100 pupils on a double-routed, two-tiered bus system. Although the District uses two-tiers and double routes, it has not reduced fleet size to sufficiently address diminishing ridership. Moreover, transportation personnel are not adequately trained to use existing routing software and routing is instead performed manually.

Considering the District's changing needs (e.g., enrollment/ridership declines and building closures), this is an inefficient use of District resources. Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) recommends the use of routing software and staggered bell schedules as a means of ensuring that a district's buses can serve as many students as possible (i.e., maximize the District's average bus utilization).

By eliminating buses and using its routing software to develop more efficient routes, Edison LSD will be in better position to meet the needs of its ridership and address changes in operations like the upcoming re-structured bell schedules for its remaining buildings. The District can further reduce its personnel and insurance costs and bring expenditure ratios more in line with the peer average through these reductions.

*Financial Implication:* By eliminating eight active and four spare buses from the fleet and reducing staffing by eight regular bus drivers, the District will save approximately \$276,880 per year. This figure includes \$234,880 in annual salary and benefit costs (\$29,360 per regular driver), as well as \$42,000 in annual insurance costs (\$3,500 per bus).

**R5.3 Edison LSD should establish a parts and supplies inventory system to track new and used parts, tires, and batteries utilized in the maintenance and repair of school buses. The inventory list should identify purchased and borrowed parts on hand such as tires, filters, seat covers, etc. With additional training (see R5.2), the Transportation Supervisor will be in a position to determine if existing routing software has the capability to track inventory and preventive maintenance activities (see R5.4).**

The District does not have an equipment and parts inventory and instead, orders vehicle equipment and parts on an ongoing basis. Although, the Transportation Supervisor stated that this practice is good for the District since vendors come by the Transportation Office two to three times each week for parts orders, this does not represent appropriate planning for the Transportation Department. The District process has evolved over time and has allowed the District to purchase supplies on an as needed basis. The effect of *ad hoc* purchasing is that low inventory levels are maintained and little planning is done to address future needs.

According to the Public Works Management Association Practices Manual (PWMPM), equipment inventories are needed for fleets, tools, portable and stationary equipment, fuels, liquids, and parts. An inventory policy should distinguish between those tools and equipment supplied by the shop or agency and those supplied by the mechanic. The inventory should include: assigned number, description, class, equipment serial number, date purchased, vendor, cost, using department, date of use, expected life, salvage value and present mileage. Inventories can be sorted by numerical sequence, class or user department; and physical counts should be conducted on an established cycle. Furthermore, inventory lists are useful in tracking the size and disbursement of the fleet, the type of parts, the amount of fluids on hand, and the rate of use. Most importantly, a properly developed and routinely updated inventory can be used to reduce equipment downtime.

**R5.4 The District should develop a formal preventive maintenance plan for its school buses. Planned maintenance, which can reduce disruption caused by equipment breakdown, should be an integral component of the plan. An equipment priority repair policy, including an emergency repair plan, should also be developed. The prioritization of preventive maintenance and repair activities improves efficiency by eliminating equipment downtime and increasing the productivity of mechanics by creating a system that incorporates scheduled activities. Preventive maintenance could be a manual system using notebooks and file folders. However, as personnel become more familiar with existing routing software, another option to consider would be using computers and software solutions that include not only fleet maintenance and inventory but also bus routing (see R5.2 and R5.3).**

According to the Transportation Supervisor, Edison LSD does not have a formal written preventive maintenance program. He stated that each bus driver is responsible for bringing his or her bus into the bus garage for oil changes and other services every 6,000 miles. The mechanics also spend time every morning checking the buses to make sure that none exceed the 6,000 mile limit. After each oil change and service, the mechanics place a tag on the bus to indicate the mileage and estimated next due date of service. It is the responsibility of each bus driver to contact the mechanics and arrange for oil changes and other preventive maintenance services excluding emergency cases. The District employs three full-time mechanics that maintain all vehicles including 38 school buses and four school vans. The District has a high success rate for bus inspections and its maintenance and repair costs per bus are in line with the peer average.

According to PWMPM, preventive maintenance can reduce disruption caused by equipment breakdowns that often create an emergency. Commitments for planned work should carry a high priority so that disruption of work by breakdowns is avoided. Additionally, effective preventive maintenance also keeps vehicles in top running condition and ready to take the next trip. To accomplish this, fleet managers should include the following in their preventive maintenance planning efforts:

- Schedule appropriate preventive maintenance procedures for each vehicle, decreasing unscheduled vehicle repairs and downtime;
- Specify, in number of days, miles, hours, or gallons of fuel desired preventive maintenance service intervals; and
- Update preventive maintenance status automatically for a vehicle upon completion of a work order.

A preventive maintenance schedule and record can be developed in house using a spreadsheet and an electronic calendar. However, automated preventive maintenance systems are also available and provide the following operational functions:

- Scheduling of preventive maintenance;
- Tracking of component warranties;
- Tracking of fuel and part inventories;
- Monitoring of fuel consumption;
- Providing a work order process; and
- Producing timely and factual reports based on live data.

Over time, the District developed a process that tracks preventive maintenance on paper and maintains a schedule for the District mechanics and drivers. The cost of a software-based preventive maintenance system would be negotiable with the vendors and could be less than \$5,000 to start, with annual maintenance of approximately \$900. The most notable benefits of a preventive maintenance system would be more accurate and timely

information for decision-making pertaining to fleet maintenance and replacement, which could extend the useful life of the fleet.

- R5.5 Edison LSD should establish a formal bus replacement plan to ensure that it is planning properly for the purchase of new buses. The District should create and periodically update a plan that establishes criteria for bus replacements based on age, mileage, and per bus cost and allows for replacement at the most economically advantageous point. The plan should consider the age, mileage, and condition of the buses using maintenance records that include operating costs and the results of safety inspections. Such a plan can help to determine the costs/benefits of maintaining versus replacing each bus, and ultimately when to replace each bus.**

**District enrollment projections should also be used to determine future fleet vehicle needs. By developing a formal replacement plan, Edison LSD will be better able to plan for future replacements that are in line with fluctuating ridership needs (see R5.2) while maintaining a cost-effective bus fleet. Furthermore, by reducing its fleet size (see R5.2) and establishing a formal preventive maintenance program (see R5.4), the District can reduce bus replacements while extending the active life of remaining buses.**

The District does not have a formal vehicle replacement plan, nor has it identified additional funding sources to purchase buses. Instead, it has an *ad hoc* plan, subject to the availability of financial resources. As stipulated in ORC § 3317.07, school districts are entitled to a State subsidy for the purchase of school buses. The amount of this subsidy has consistently declined during the last three years and is expected to decrease again during the first two years of the forecast period and then level off. Since FY 2001-02, ODE bus replacement subsidies have decreased significantly (a combined 55 percent or 17 percent annually). If the current funding trend continues, Edison LSD will receive only about \$25,000 annually in bus replacement subsidies at the end of the forecast period. This decrease in funding will require the District to contribute a greater portion of the replacement cost to ensure its fleet remains in serviceable condition. Current efforts to ensure adequate resources are available for District operations increases the need for formal bus replacement planning.

According to The National Association of State Directors of Pupil Transportation Services (NASDPTS), establishing school bus replacement policies is an important activity, since it directly impacts the timeliness of introducing the latest safety, efficiency and emissions improvements into the fleet. The elimination of school buses failing to meet the latest standards or requirements must be planned for within a realistic number of years. Furthermore, the NASDPTS finds that the timely replacement of school buses must be a planned process and that funding availability is likely to be the single most important consideration in determining the replacement schedule.

ODE recommends that buses be replaced after 12-15 years or 250,000 to 300,000 miles, depending on engine-type (gasoline vs. diesel), annual maintenance costs, and climate, which can impact wear and tear. Regardless of age and engine type, school districts can continue to use buses that pass State inspections and do not chronically inflate maintenance and repairs costs.

The International City/County Management Association (ICMA) recommends that a formal vehicle replacement plan stipulate the criteria to be considered when making a replacement decision. Likewise, the American Public Works Association (APWA) recommends that equipment be replaced at the most economical point in its life-cycle, referring to the length of time over which average total unit cost is lowest. In addition to age and mileage factors, economical replacement plans also consider total maintenance, repair and fuel costs.

The District may want to consider participation in the Ohio School Bus Pooled Financing Program. This program was created by the Ohio Association of School Business Officials and private sector companies and allows school districts to do the following:

- Finance school bus purchases over a 5-to-10 year repayment period ;
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and
- Start immediately replacing the bus fleet without making a large lump sum capital outlay.

A long-term bus replacement plan would allow the District to more accurately plan for the purchase of new buses. Considering the condition of Edison LSD's bus fleet and changing ridership needs, it is important that the District formulate and implement a replacement plan. A well thought out bus replacement plan will lower prohibitively expensive repairs on older buses. Based on the age and condition of Edison LSD's bus fleet, the District would need to replace three buses at a cost of about \$180,000<sup>3</sup> in FY 2008-09. As an alternative, Edison LSD could replace two buses annually, beginning in FY 2008-09 at an annual cost of \$120,000. As part of the plan, the Transportation Supervisor should target those buses that are the most costly to maintain first, regardless of age or mileage. Furthermore, the elimination of four spare buses recommended in **R5.2** would also diminish the number of buses the District would have to maintain and replace in the future.

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<sup>3</sup> This assumes a purchase price of about \$60,000 per bus. However, bus prices are estimated to increase to about \$95,000 per bus in the next few years because of new environmental regulations.

If the District does not eliminate 12 buses, as recommended in **R5.2**, it will be required to replace 38 buses, at a combined cost of \$2,280,000, assuming a 12 year life span per bus. By eliminating 8 active and 4 spare buses from the fleet to accommodate ridership declines and by incorporating these reductions into a formal replacement plan, Edison LSD can achieve a one-time cost avoidance of \$720,000. This figure accounts for capital outlay funds that would no longer be required to replace buses and does not include any revenues that could be earned by selling off used buses.

*Financial Implication:* If Edison LSD replaces two buses each year, it would incur costs of \$120,000 annually. Assuming State bus replacement subsidies remain constant at \$25,000, Edison LSD will be required to spend about \$95,000 annually.

## Financial Implications Summary

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

### Summary of Financial Implications for Edison LSD Transportation

<b>Recommendations</b>	<b>Estimated Annual Savings</b>	<b>Estimated One-Time Cost Avoidance</b>	<b>Annual Implementation Costs</b>
<b>R5.2</b> Eliminate 8 active and 4 spare buses from the fleet (bus insurance costs)	\$42,000		
<b>R5.2</b> Reduce staffing by 8 regular bus drivers (personnel costs)	\$234,880		
<b>R5.5</b> Remove 12 buses from the replacement schedule and replace 2 buses annually.		\$720,000	\$95,000
<b>Total</b>	<b>\$276,880</b>	<b>\$720,000</b>	<b>\$95,000</b>

## Appendix 5-A: Edison LSD Employee Survey Responses

AOS administered a survey of Edison LSD employees to obtain feedback and perceptions concerning transportation services. Of 101 employees, 93 completed the transportation portion of the survey, for a response rate of approximately 92 percent. Survey responses were made on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree.

Table 5-A1 illustrates the results.

**Table 5-A1; Transportation Survey Responses**

Survey Questions	Results
<b>1) Effective communication of transportation policies and routes exist.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No opinion	3% 11% 12% <b>46%</b> 10% 18%
<b>2) Effective coordination of routes and special trips exist between departments.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	4% 3% 20% <b>44%</b> 9% 19%
<b>3) The Transportation Department provides timely transportation of students to and from school.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	5% 11% 8% <b>56%</b> 14% 6%
<b>4) The Transportation Department provides timely transportation to and from special events.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	1% 1% 12% <b>57%</b> 14% 15%

Survey Questions	Results
<b>5) The Transportation Department is effective in addressing complaints.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	2% 2% 24% <b>39%</b> 12% 22%
<b>6) Transportation routes are completed with regard to the safety of the children.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	2% 1% 13% <b>47%</b> 19% 17%
<b>7) The attitude, courtesy, and work ethic of the Transportation Department are positive.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	3% 6% 17% <b>46%</b> 13% 14%
<b>8) Overall, the quality of all transportation services provided is good.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree No Opinion	2% 3% 15% <b>54%</b> 15% 11%

Source: AOS survey of Edison LSD employees

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## Appendix 5-B: Summary of Objectives for Transportation

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The following questions were used to evaluate the Edison LSD transportation function:

- How does the District report its transportation data and does the data need to be adjusted to make it more accurate and comparable with peer districts?
- How does the District’s “yellow bus” transportation service (Type I Service) compare with peer districts and/or industry standards?
- How do the District’s transportation policy and procedures compare with best practices and impact operations?
- How can the District improve its operating efficiency and the cost effectiveness of transportation operations?
- 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?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing specialized transportation service in an effective and efficient manner?
- Is the District effectively managing its contracted transportation operations?

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# Technology

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## Background

This section focuses on technology functions in the Edison Local School District (Edison LSD or the District). The purpose of this section is to assess planning and budgeting, staffing, policies and procedures, infrastructure, hardware, and software, as well as security and communication. A full list of objectives for this section can be found in **Appendix 6-B**.

The assessments were used to develop commendations or recommendations to increase the effectiveness and efficiency of technology use. These assessments used various recommended practice standards from related industries and technology studies, including the National Center for Education Statistics (NCES), Ohio SchoolNet, the Government Finance Officers Association (GFOA), eTech Ohio, and peer averages.<sup>1</sup>

In addition to these assessments, the Auditor of State (AOS) conducted an employee survey. The purpose of the survey was to gauge employee opinions about various functions of the District, including the technology function. The responses from the technology portion of the survey were generally positive and are reported in **Appendix 6-A**.

### *Organization, Staffing, and Function*

Technology implementation and support is managed by the District's Technology Department (the Department). Due to the size of the District and its financial constraints, the Department is modestly staffed with only two full-time employees: the Technology Coordinator and the Technology Assistant Coordinator. The Technology Coordinator reports directly to the Superintendent. In order to compensate for its low staffing level, the Department has recruited volunteer teachers to serve as building-level technology support resources.

The Technology Department supports the District's instructional and administrative technology needs. The Department implements technology plans, develops the technology budget, and collaborates with curriculum committees to procure technology. The Coordinator and Assistant provide maintenance and support for hardware, software, and network technology.

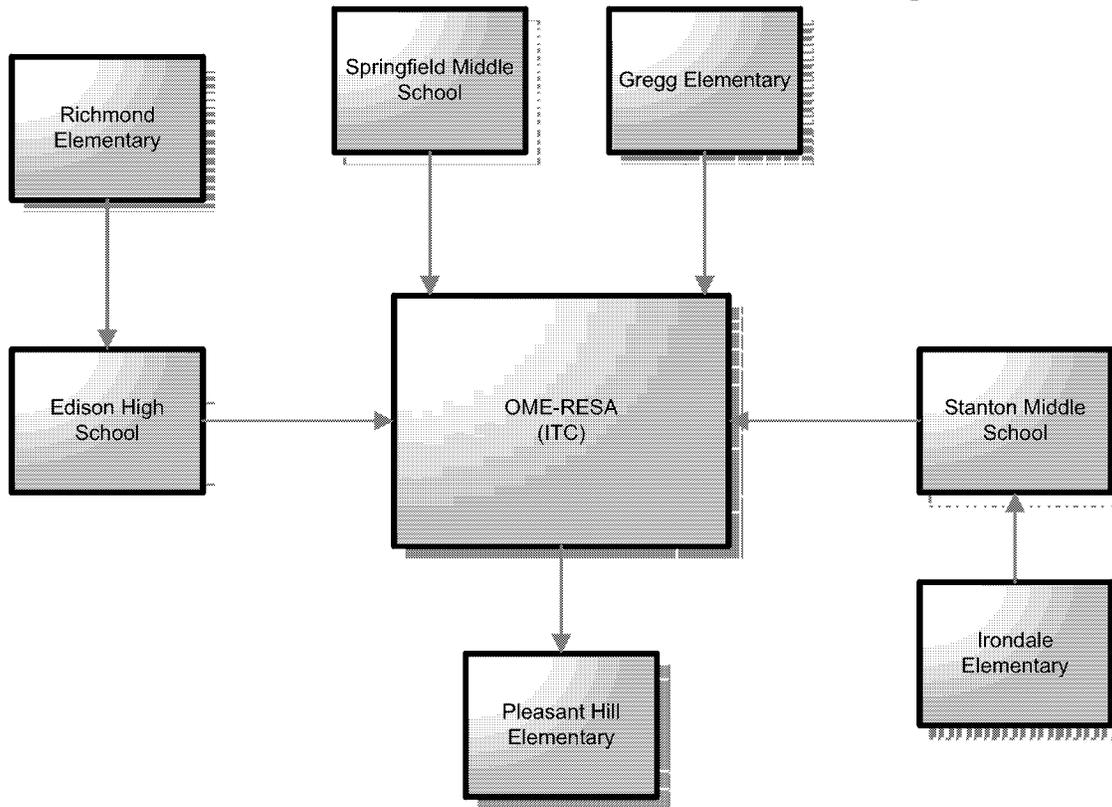
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<sup>1</sup> See the **executive summary** for a list of the 10 peer districts.

Summary of Operations

Edison LSD connects its seven school buildings via T-1 lines. Its connections to the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) are through five T-1 lines. Richmond and Irondale Elementary schools are routed through the Edison High School and Stanton Middle School, respectively, using leased T-1 lines provided through an SBC/Ameritech substation and Verizon. The District’s Wide Area Network (WAN) diagram is shown in **Chart 6-1:**

**Chart 6-1: Edison LSD Wide Area Network Diagram**



Source: Edison LSD

Edison LSD has over 2,300 users on its network, including all students and most instructional, administrative, and support staff. Access to the network is controlled by usernames and passwords for all system users. **Table 6-1** outlines the number of school buildings connected to the District’s network, as well as the total number of users at each of those buildings.

**Table 6-1: Edison Local School District Network Users**

<b>Building/Grade Level</b>	<b>Number of Buildings</b>	<b>Students</b>	<b>Staff/Teachers<sup>1</sup></b>	<b>Total</b>
Elementary Schools	4	993	87	1,080
Middle School <sup>2</sup>	2	342	71	413
High School	1	803	53	856
<b>Total</b>	<b>7</b>	<b>2,138</b>	<b>211</b>	<b>2,349</b>

Source: Edison LSD's staff per building and Student Enrollment Report

<sup>1</sup> Staff includes principals, teachers, secretaries, guidance counselors, and teaching aides.

<sup>2</sup> Staff includes central based administrators located at Stanton Middle School.

In general, Edison LSD has effectively distributed District computer hardware. Overall, District students have access to computers at a ratio of 4 students to 1 computer. All staff have access to computers at a ratio of 1 staff member to 2 computers. In each classroom, there is at least one computer, which is used by the teacher. In addition, each school building has a computer lab with at least 35 computers. Finally, all teachers, staff members, and students (based on grade level) are provided email accounts.

Key components of the District's technology operations include technical support, planning, technology policy development, professional development, security, network architecture, communications, and hardware and software acquisition and maintenance. The Department also supports various technology functions such as running student software, performing printing operations, backing up data, storing student data, and maintaining inventory. The District uses the area Information Technology Center (ITC), OME-RESA, as its Internet Service Provider (ISP) and has firewall, Internet filtering, and virus software installed to safeguard the system.

Edison LSD has developed a technology plan using the eTech Ohio reporting format. The plan includes detailed goals and measurable objectives for various functional topics such as hardware equipment, software applications, administrative and instructional personnel professional development, and academic standards. A detailed budget that includes funding for major technological initiatives is also integrated in the plan. The plan covers three years and was completed by the Coordinator with input from District stakeholders -- the Superintendent, Treasurer, teachers, and community members.

Edison LSD maintains a web site, which contains information regarding current events and press releases, a school calendar, a directory of policies and procedures, a directory of school buildings and contacts, and links to building web sites as well as key department pages.

Technology grant-seeking functions are performed primarily by the Technology Coordinator. He attends monthly ITC meetings to obtain updates on available grants and works with the Superintendent and Assistant Superintendent to determine if available grants meet District needs. Some principals also work on grant-seeking activities and collaborate with the Coordinator to

develop grant proposals. The District receives OneNet, Schoolnet, ERate, and Title II-D grant funds.

The District has implemented several policies and practices to guide and enhance technology functions. Its purchasing process helps ensure that technology purchases meet academic standards or administrative needs and are obtained at the best available prices. Edison LSD has a stakeholder committee that evaluates proposed software purchases to ensure that appropriate academic standards are met. For computer purchases, the Technology Coordinator practices several cost saving strategies, such as issuing requests for proposals, and also relies on consortia. The District also has policies on equipment standards, donations, and disposal procedures. Lastly, it has implemented new strategies to reduce the use of costly inkjet printers by centralizing network copiers and laserjet printers in each building.

Edison LSD has selected management software that is appropriate for use according to the size of the entity and required functionality. The District uses State software for its accounting and budgeting systems and Educational Management Information System (EMIS). To support this application and other technology operations, the District uses OME-RESA.

The District has taken measures to use instructional software that enhances its academic requirements by having its Curriculum Improvement Council (CIC) review all instructional software applications and purchases. The District is in the first year of implementation of *Progress Book* and requires all teachers to use this classroom management system. Other software available for use includes *Microsoft Office*, *Auto Skill*, and *Reading Counts*.

Through professional development initiatives, which are included in the technology plan, all personnel receive ongoing technology training. In the AOS survey, 47 percent of respondents agreed or strongly agreed that instructional software training met their needs while 51 percent agreed or strongly agreed that the training programs were useful. The District's implementation of *Progress Book* has required further professional development for teachers to gain an understanding of the operations of this new software application. In fact, 63 percent of AOS survey respondents noted that they felt additional training was needed in instructional and administrative technology applications. Additionally, each department has a professional development budget that includes technology training.

Edison LSD maintains control over access to its computers, Internet, and District data using the ITC along with other firewalls, and anti-virus software. It has user controls such as limited access for employee functions and password protection to prevent software piracy. The District has developed extensive technology use policies for staff and students to explain computer use, types of access, expected behavior, and compliance with laws and regulations.

Through the use of remote management, Edison LSD is improving its ability to address computer management and repair request issues. Remote management access enables the

Technology Department to perform software loads and repairs using virtual technology rather than having to make on-site visits. The remote software allows the District to reduce travel-time costs and aids in the timeliness of response to technology repair requests.

### *Financial Data*

**Table 6-2** details the District's technology budget as reported in its technology plan. Edison LSD has not implemented the proposed budget because of its financial situation.

**Table 6-2: Technology Budget**

Category	FY 2006-07 <sup>1</sup>	FY 2007-08	FY 2008-09
Network/Telecommunications	\$132,091	\$134,733	\$137,428
Access to Technology	\$90,000	\$50,000	\$90,000
Shareholder Access to Educational Information Applications	\$55,671	\$56,228	\$56,790
Educational Software	\$10,000	\$10,000	\$10,000
Security	\$5,420	\$5,475	\$5,530
Technology Staffing/Support	\$96,000	\$98,880	\$101,847
Professional Development	\$3,300	\$3,300	\$3,300
Consumables	\$25,000	\$25,000	\$25,000
<b>Total</b>	<b>\$417,482</b>	<b>\$383,616</b>	<b>\$429,895</b>

Source: Edison LSD technology plan

<sup>1</sup> The District has placed a spending freeze on the technology budget during FY 2006-07. Spending is limited to emergency purchases or repairs.

As shown in **Table 6-2**, the District compiles budgeted technology expenditures according to its technology plan categories. The categories separate expenditures into major areas that support the function of the Technology Department. However, the District's overall budget is not compiled to mirror the technology budget submitted in the plan. The budget categories presented in the technology plan are developed by eTech and do not specifically tie to the categories presented in the Uniform School Accounting System (USAS) (see **R6.1**).

## Recommendations

**R6.1 Edison LSD should seek to develop a detailed budget that encompasses all costs associated with the Technology Department. Budgeting on a department basis could allow the District to accurately determine the costs of its technology function. Additionally, the District could easily link the annual budget to the technology budget and total cost of ownership (TCO).**

The District does not clearly identify funds allocated for, or expended by, its technology function. Detailed technology expenditures can only be compiled by hand. The technology plan includes amounts budgeted for technology and contains some operation-level expenditures, such as salaries and equipment costs (see **Table 6-2**). However, because the expenditure categories in the eTech plan do not match those in USAS, the budget in the plan does not link to the District's annual budget.

Leading practices in technology planning suggest that districts should have an annual budget that provides funds for major technology initiatives. Without a detailed annual technology budget derived from its fiscal accounting system, the District may not be able to monitor the cost effectiveness of technology operations or determine whether or not the budget in the technology plan is fulfilled. The financial budget should include all expenditures and revenues specific to the technology function. It should include the major accounting categories as follows:

- Salaries and benefits;
- Purchased services;
- Supplies and materials; and
- Capital outlay.

Using these USAS classifications, the District should link the budgeted amounts to the classification types prescribed by eTech (see **Table 6-2**). However, Edison LSD could work with other districts to request that eTech budget classifications be changed to reflect the USAS classifications. This would provide consistency in reporting and ease the burden on school district to extract technology expenditures.

By developing a detailed annual budget for the Technology Department, the District could perform cost analyses of Department operations, which would help serve as a guide to fund technology initiatives. The annual budget should capture building-level budgets for supplies, services, and other materials needed for technology. The budget should include professional development costs and stipends paid to volunteer technology support personnel. Once properly reflected in the District's budget, Edison LSD can easily

compare planned and actual expenditures. Furthermore, the District could use this data to determine its TCO.

**R6.2 Edison LSD should consider implementing several strategies for improving relations between its users and the Technology Department. Although progress has been made in this area, additional efforts are needed to ensure adequate levels of user satisfaction with Department operations. The Department could consider performing an annual customer satisfaction survey, which can be used to gain input and feedback from its users. In addition, a performance monitoring system should be established to measure the outcomes of its technical support initiatives. Furthermore, the Department should develop a service agreement policy using the results from the survey and a performance monitoring system to clearly delineate technology initiatives and user expectations.**

The Department does not perform annual customer satisfaction surveys that could help identify user support needs. Edison LSD recently hired a new Technology Coordinator to oversee the technology function.<sup>2</sup> The Technology Coordinator's progressive role and commitment to further development of a successful Technology Department has resulted in several upgrades in equipment during FY 2006-07. However, according to the 2006 Biennial Educational Technology Assessment (BETA) Survey and the AOS survey (see **Appendix 6-A**), technology support is a major weakness in the Department.

According to the BETA survey, 57 percent of District's staff reported a response rate of five days for technology support. This response rate is below the State and peer benchmark averages of two to three working days. The 2006 BETA survey uses data gathered during November 2005. This variation in timelines may not adequately reflect current employee opinions concerning response rates or reflect efficiencies from improvements made by the Technology Coordinator. In order to accurately reflect more recent opinions, AOS conducted an employee survey during December 2006. The AOS survey results confirm continuing weaknesses in technology support that were identified by the BETA survey. On average, approximately 35 percent disagree that they receive sufficient technology support. The survey also indicates that Edison LSD employees perceive that Departmental staffing is too low to effectively meet the demands of its operations. However, a majority of respondents were neutral, agreed, or strongly agreed that support and staffing levels were appropriate, reflecting, perhaps, recent efforts to improve support services.

In order to address the modest technology staffing level and constraints of its current fiscal status, the District uses volunteer teachers from each building to serve as technology liaisons. Moreover, during FY 2006-07, the District established an online

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<sup>2</sup> The Coordinator was contracted from OME-RESA but was brought on Edison LSD's staff full-time for FY 2006-07.

technology repair form and remote access to expedite response time and reduce travel between buildings. The implementation of support strategies such as these enables the District to achieve a higher degree of efficiency in addressing technology support requests.

These new procedures have not been formally evaluated to gauge their effectiveness. However, a sample of staff was interviewed by AOS to gain an understanding of the effects of the new technology changes. Staff members report that timeliness issues with support responses still exist but agree the issue is related to the low number of staff in the Department. At the time of reporting, District staff reported needing additional instruction on how to use the online repair form. Similarly, staff expressed concerns about limited feedback on when the technical support requests would be addressed. Staff members also reported not understanding the manner in which support requests were prioritized.

Although Edison LSD employees indicate they have general understanding of the technology function, communication was reported as a weakness. Some staff members feel disconnected from the technology initiatives and recognize shortfalls in the dissemination of information. Better communication would create a platform for building rapport and understanding between the users and the technology support team.

Strategies for resolving some of the communication issues include the following:

- Monitor response rates and customer satisfaction. The existence of the online repair form represents an inexpensive opportunity for the District to measure its performance. The electronic form could be more helpful by adding data fields that track dates of responses, types of computer repair requests, and elements of customer satisfaction.
- Identify areas of weakness and establish targeted goals to address those areas. The District could determine the effectiveness of its goals and actions by analyzing the data collected from the annual BETA survey and District performance measures.
- Develop a service agreement between staff and the Department from the data provided by its performance analyses and surveys. Service agreements help align user expectations with the capabilities of the Department. The service agreement should clearly delineate the Department's process for addressing support requests, the responsibilities of the requesting staff member, trouble shooting techniques, and response goals or priorities. It could be expanded to include training requirements and expectations, processes for requesting technical support, types of support and technology available, technology initiatives, and information sharing.

Through internal performance measurement and tracking user feedback, the Department can become more efficient and increase the effectiveness of the technology function. Also, implementing the service agreement and other strategies will help to better communicate processes to stakeholders and build stronger working relationships with users.

**R6.3 Edison LSD should develop a student technology program to enhance its curriculum and provide additional technical support personnel. Using Ohio SchoolNet’s *Guide to Student Technology Intern Programs in K-12 Schools (2004)*, the District can develop a program that assists the Technology Department and teaches valuable computer skills to students.**

The District does not have a technology program for students that instructs them in functions beyond office software use, such as word processing and spreadsheet applications. It has not developed a student technology intern program to supplement the Department’s personnel or its volunteer teacher liaisons. While the volunteer teacher liaisons are helpful in bridging the technical support gap, they may not be available when performing daily classroom duties.

According to Ohio SchoolNet, student technology programs use “the idea of placing students of technology in ‘real world’ settings under supervision to reinforce classroom learning and providing meaningful experience. While these placements have traditionally been outside the school district setting, numerous models exist in school districts that deploy students within a school or district as technology interns and assistants, helping to support educational technology.” Parameters or planning elements that should be considered before implementing a student program include determining:

- The type of program to be offered;
- Grade levels of the program;
- Methods to recruit students;
- The staff person who will be monitoring and assigning grades;
- A method of assigning technology tasks to students and tracking completion of assigned tasks;
- Curriculum or technical resources to be used with students;
- Training methods for students; and
- A method and criteria for evaluating student performance.

In addition, plans for the program should be reviewed with the Superintendent and principals to develop buy-in and should be approved by the Board.

The establishment of a student technology program will enhance students' technology skills and address technology support limitations. Faculty and staff would also realize increased productivity by minimizing down-time and receiving improved technology support while students benefit by learning additional skills.

**R6.4 Edison LSD should consider developing a formal disaster recovery plan for key technology systems. The development of a disaster recovery plan prepares an organization for recovery after a breach in security, a natural disaster, or other catastrophic event as quickly and efficiently as possible. Once developed, the plan should be reviewed and updated annually.**

Edison LSD does not have a formal disaster recovery plan. By policy, the District's Superintendent and Treasurer should develop, measure, and test a disaster recovery plan. The District uses its ITC as its data warehouse and the ITC has a disaster recovery plan in place that ensures adequate protection of District data. However, there are no written procedures that outline disaster recovery on the District level.

AOS<sup>3</sup> and GFOA recommend that every government formally establish and regularly update written policies and procedures for minimizing disruptions resulting from failures in computers or other advanced technologies following a disaster. The plan should include the following provisions:

- Formally assign disaster recovery coordinators for each department to form a disaster recovery team;
- Require the creation and preservation of back-up data;
- Make a provision for the alternative processing of data following a disaster;
- Provide detailed instructions for restoring disk files; and
- Establish guidelines for the immediate aftermath of a disaster.

NCES further defines the key elements of a disaster recovery plan. **Table 6-3** shows these elements.

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<sup>3</sup> AOS *Best Practices* (2007).

**Table 6-3: Disaster Recovery Plan**

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

Source: National Center for Education Statistics

Edison LSD could use the elements described in **Table 6-3** to guide the development of a disaster recovery plan of its own. The absence of a plan places the District at risk of losing information or being unable to address data recovery in the event of a disaster. By establishing a disaster recovery plan, the District would help prevent substantial loss of data and ensure clear and effective processes for recovering district information and restoring data systems.

## Appendix 6-A: Employee Survey Responses

AOS administered a survey of District employees to obtain feedback and gauge perceptions concerning technology services at Edison LSD. The survey was sent to approximately 290 individuals and 101 employees completed it, for a participation rate of approximately 35 percent. Survey responses were made using a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree.

Table 6-A1 illustrates the results.

**Table 6-A1: Technology Survey Responses**

Survey Questions	Edison LSD Results
<b>Administrative Software</b>	
<b>1) Users know all major software functions used in their department.</b>	
1) Strongly Disagree	3%
2) Disagree	15%
3) Neutral/Not Sure	16%
4) Agree	<b>34%</b>
5) Strongly Agree	6%
<b>2) Software meets the needs of the users.</b>	
1) Strongly Disagree	1%
2) Disagree	10%
3) Neutral/Not Sure	24%
4) Agree	<b>31%</b>
5) Strongly Agree	7%
<b>3) Software is used effectively and efficiently.</b>	
1) Strongly Disagree	2%
2) Disagree	10%
3) Neutral/Not Sure	22%
4) Agree	<b>35%</b>
5) Strongly Agree	7%
<b>4) Users can get help when needed.</b>	
1) Strongly Disagree	6%
2) Disagree	11%
3) Neutral/Not Sure	23%
4) Agree	<b>28%</b>
5) Strongly Agree	8%
<b>Instructional Software</b>	
<b>5) Users know all major software functions used in their department.</b>	
1) Strongly Disagree	6%
2) Disagree	21%
3) Neutral/Not Sure	13%
4) Agree	<b>43%</b>
5) Strongly Agree	6%

Survey Questions	Edison LSD Results
<b>6) Software meets the needs of the users.</b>	
1) Strongly Disagree	3%
2) Disagree	12%
3) Neutral/Not Sure	21%
4) Agree	<b>48%</b>
5) Strongly Agree	9%
<b>7) Software is used effectively and efficiently.</b>	
1) Strongly Disagree	4%
2) Disagree	16%
3) Neutral/Not Sure	21%
4) Agree	<b>42%</b>
5) Strongly Agree	9%
<b>8) Users can get help when needed.</b>	
1) Strongly Disagree	8%
2) Disagree	23%
3) Neutral/Not Sure	19%
4) Agree	<b>32%</b>
5) Strongly Agree	11%
<b>All Users – Software Training</b>	
<b>9) Administrative/office software training meets user needs.</b>	
1) Strongly Disagree	0%
2) Disagree	16%
3) Neutral/Not Sure	<b>29%</b>
4) Agree	21%
5) Strongly Agree	5%
<b>10) Instructional / Classroom software training meets user needs.</b>	
1) Strongly Disagree	2%
2) Disagree	18%
3) Neutral/Not Sure	20%
4) Agree	<b>42%</b>
5) Strongly Agree	5%
<b>11) Training facilities meet user needs.</b>	
1) Strongly Disagree	3%
2) Disagree	15%
3) Neutral/Not Sure	26%
4) Agree	<b>37%</b>
5) Strongly Agree	4%
<b>12) Training programs are useful.</b>	
1) Strongly Disagree	1%
2) Disagree	9%
3) Neutral/Not Sure	26%
4) Agree	<b>43%</b>
5) Strongly Agree	9%
<b>13) Users feel more training is needed.</b>	
1) Strongly Disagree	0%
2) Disagree	7%
3) Neutral/Not Sure	21%
4) Agree	<b>40%</b>
5) Strongly Agree	23%

Survey Questions	Edison LSD Results
<b>General Computer Operation/Data</b>	
<b>14) Computer systems are reliable.</b>	
1) Strongly Disagree	10%
2) Disagree	<b>32%</b>
3) Neutral/Not Sure	23%
4) Agree	28%
5) Strongly Agree	4%
<b>15) Speed of data processing is satisfactory.</b>	
1) Strongly Disagree	12%
2) Disagree	<b>37%</b>
3) Neutral/Not Sure	11%
4) Agree	25%
5) Strongly Agree	8%
<b>16) Access to a printer is adequate.</b>	
1) Strongly Disagree	14%
2) Disagree	29%
3) Neutral/Not Sure	8%
4) Agree	<b>38%</b>
5) Strongly Agree	9%
<b>17) Systems contain accurate and complete data.</b>	
1) Strongly Disagree	4%
2) Disagree	11%
3) Neutral/Not Sure	21%
4) Agree	<b>48%</b>
5) Strongly Agree	9%
<b>18) Data from computer systems is useful for decision making or monitoring.</b>	
1) Strongly Disagree	3%
2) Disagree	5%
3) Neutral/Not Sure	25%
4) Agree	<b>51%</b>
5) Strongly Agree	9%
<b>Technical Assistance</b>	
<b>19) Technical assistance department is easily accessible.</b>	
1) Strongly Disagree	12%
2) Disagree	<b>37%</b>
3) Neutral/Not Sure	11%
4) Agree	25%
5) Strongly Agree	8%
<b>20) Requests for assistance are answered in a timely manner.</b>	
1) Strongly Disagree	13%
2) Disagree	<b>36%</b>
3) Neutral/Not Sure	17%
4) Agree	21%
5) Strongly Agree	8%

Survey Questions	Edison LSD Results
<b>21) Computer repair services are easily accessible.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	12% <b>35%</b> 17% 24% 7%
<b>22) Computer repair requests are answered in a timely manner.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	12% <b>38%</b> 18% 20% 7%
<b>23) Technology staff is able to solve hardware problems.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 17% 17% <b>43%</b> 11%
<b>24) Number of technology personnel is adequate to provide support.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	21% <b>32%</b> 16% 22% 4%
<b>25) I am satisfied with the technical assistance provided by the District.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	10% <b>33%</b> 20% 24% 8%
<b>26) Electronic mail is widely used.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 29% 13% <b>36%</b> 7%
<b>27) The Internet is used to access information.</b> 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	2% 3% 12% <b>45%</b> 36%

Source: AOS survey of Edison LSD employees

## **Appendix 6-B: Summary of Objectives for Technology**

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The following questions were used to evaluate technology services within Edison LSD:

- Is the District effectively planning and budgeting for its technology implementation?
- Does the District have policies and procedures in place to ensure cost-effective resolution of technology issues?
- Is the District's technology infrastructure efficiently and effectively deployed?
- Is District hardware effectively and efficiently deployed?
- Is the District effectively and efficiently deploying software?
- Does the District adequately plan and budget for technology professional development for users?
- Does the District have effective network and physical asset security?
- Does the District use technology to improve communication?



## **District Response**

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The letter that follows is Edison LSD'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 Edison LSD administrators or officials disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

**EDISON LOCAL SCHOOLS**

14890 ST HWY 213

PO BOX 158

HAMMONDSVILLE, OHIO 43930

TEL: 330-532-3199

740-282-0068

Tuesday, October 2, 2007

Auditor of State  
Mary Taylor, CPA  
88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215

Dear Auditor Taylor:

As you are aware, the Edison Local School District was placed in Fiscal Caution on November 29, 2006. The fiscal oversight designation was elevated to Fiscal Watch on February 8, 2007. When your office was notified about a year ago that we were experiencing financial difficulties, the performance auditors immediately started their work. We appreciate the assistance of the performance auditors and want to take this opportunity to thank you for providing copies of the discussion draft of the performance audit. It is quite useful to have a review of our district's efficiency completed at no cost to the district.

The Edison Local Board of Education has taken many of the recommendations made during the audit process and implemented them due to our serious financial condition. Many certified, classified, and administrative staffing cuts have been implemented based on the data provided during the audit. As a matter of fact, since I became superintendent three and a half years ago, the district has eliminated forty-nine (49) certified positions and fifteen (15) classified positions. Additionally, two (2) elementary schools were closed this past year. More positions will be eliminated and other cost savings measures will be taken so that we can become a financially stable district.

The Edison Local Board of Education is committed to reducing the cost of our current health care coverage. We are continuing to work with our health care committee, which includes the assistance and expertise of a health care consultant. We are extremely confident that we will be able to provide a feasible and acceptable health care plan to our employees, and at the same time, reduce our health care costs considerably.

The Edison Local Board of Education and administration appreciates the work done by the auditors as evidenced in the report. The performance audit recognizes some of the best practices the district employs, which emphasizes our drive to operate effectively and efficiently. At the same, the district recognizes that additional improvements must be implemented.

The Edison Local Board of Education and administration will thoroughly review each recommendation and implement those needed so that the district will be out of Fiscal Watch as quickly as possible. Your team has given us much information to look at as we continue to work diligently to contain costs while at the same time, provide our students with an education that will allow them to continue to excel academically.

Once again, thank you for your time and assistance on this extremely important matter.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Carmichael".

Lisa Carmichael  
Superintendent  
Edison Local School District

cc: Board of Education  
Dennis Menoski, Treasurer