



Mary Taylor, CPA  
Auditor of State

FEDERAL HOCKING LOCAL SCHOOL  
DISTRICT  
PERFORMANCE AUDIT

SEPTEMBER 13, 2007



## Mary Taylor, CPA Auditor of State

To the Residents and Board of Education of the Federal Hocking Local School District:

On October 18, 2006, Federal Hocking Local School District (FHLSD) was placed in fiscal caution due to 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 March 20, 2007. The FHLSD Board of Education passed a resolution on May 15, 2007 stating their inability to develop a fiscal watch recovery plan and the District was placed in fiscal emergency on May 21, 2007.

Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in FHLSD beginning in November 2006. The six functional areas assessed in the performance audit were financial systems and strategic management, human resources, facilities, transportation, food service, and technology. 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, watch, and emergency.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of FHLSD'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.

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 issues for further study, recommendations, and financial implications. This report has been provided to FHLSD, 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  
Auditor of State

September 13, 2007



# **Executive Summary**

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## **Project History**

Effective October 18, 2006, the Ohio Department of Education (ODE) declared the Federal Hocking Local School District (FHLSD) to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code (ORC). The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2007 and 2008. As a result of the declaration, FHLSD was required to submit a fiscal caution proposal in accordance with ORC § 3316.031(C) by December 4, 2006 that would address the projected deficits for FY 2006-07 and FY 2007-08.

On November 27, 2006, the FHLSD Board of Education (the Board) passed a resolution stating that the District could not create a financial recovery plan eliminating its projected deficit. Upon reviewing FHLSD's November 2006 five-year forecast, which included a deficit of \$282,000 and \$1,466,000 for the fiscal years ending June 30, 2007 and 2008, respectively, the Auditor of State (AOS) declared FHLSD in fiscal watch on March 20, 2007. This declaration was based upon a determination by ODE that the District had not provided an acceptable written proposal for correcting the budgetary conditions that prompted the declaration of fiscal caution and for preventing the District from experiencing further fiscal difficulties.

FHLSD's Board passed a resolution on May 15, 2007 stating its inability to develop a fiscal watch recovery plan. Accordingly, under ORC § 3316.04, AOS placed the District in fiscal emergency on May 21, 2007.

Pursuant to ORC § 3316.031 and ORC § 3316.042, AOS initiated a performance audit of FHLSD. Based on a review of District information and discussions with administrators, the following six functional areas were included in the performance audit:

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

Audit work took place between November 2006 and April 2007. The goal of the performance audit process was to assist FHLSA administrators and the Board in identifying cost saving opportunities and improved management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

## **District Overview**

FHLSA is located in Athens County and encompasses 191 square miles. The District operates under an elected Board consisting of five members. In FY 2005-06, the District provided educational services to 1,238 preschool through grade 12 students in 3 school buildings including: a middle/high school campus and 2 elementary schools.

In FY 2005-06, the District received approximately 72.1 percent of its revenue from the State, 21.1 percent from local taxes, and 6.8 percent from federal grants and other sources. Based on ODE's Expenditure Flow Model Report, FHLSA's FY 2005-06 per pupil expenditures were \$10,069, which was 15.2 percent higher than the State average.

In FY 2006-07, the District reported employing approximately 194 full-time equivalent (FTE) staff consisting of 11 FTE administrators, 111 FTE educational personnel, 6 FTE other professional/technical personnel, 22 FTE office/clerical staff, and 44 FTE operations and other staff. The regular education student-to-teacher ratio in FY 2005-06 was approximately 15-to-1. Also in FY 2005-06, the District met 9 of 25 academic performance indicators established by ODE and was categorized as a continuous improvement district.

In January 2007, FHLSA updated its five-year financial forecast and projected that it would incur a General Fund deficit of approximately \$523,000 in FY 2006-07. Furthermore, FHLSA projected a General Fund deficit of \$1.8 million for FY 2007-08 and projected negative year-end fund balances to continue until the final year of the forecast (FY 2010-11) in which a General Fund deficit of \$9.2 million was projected. The AOS revised forecast presented in the **financial systems and strategic management** section indicates that if FHLSA implements the performance audit recommendations and limits its planned additional spending, the District would operate with a positive fund balance through the end of the forecast period.

In order to address the projected deficits, the 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 educational service personnel. Conversely, failure to fully implement and/or successfully negotiate all of the recommendations contained in this report that lead to cost savings may require the District to make additional reductions in 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 reductions in teachers and educational service personnel that would bring staffing levels below the peer districts and near State minimum standards.

## **Subsequent Events**

Subsequent to the completion of fieldwork, but prior to the release of this audit, FHLSO completed an updated five-year financial forecast on May 22, 2007. This forecast reduced the District's estimated fund deficit for FY 2006-07 to approximately \$498,000. The updated forecast projects year end fund deficits of approximately \$843,000, \$1.7 million, \$3.1 million and \$5.2 million in FY 2007-08, FY 2008-09, FY 2009-10, and FY 2010-11, respectively. The lower-than-previously projected deficits are due primarily to lower estimated personal services and benefits projections.

On July 17, 2007, FHLSO's Board accepted a five-year strategic plan for 2007-2012 which addressed the performance audit recommendation to develop and approve a District-wide strategic plan. Although FHLSO's strategic plan contains some of the recommended strategic planning elements, the strategic plan does not contain goals, measurable objectives and performance measures; does not have an action plan with detailed timelines for completion, and does not list who is responsible for accomplishing the task. Inclusion of these additional items would help FHLSO fully implement the performance audit recommendation.

In addition, FHLSO implemented further staffing reductions in June, July, and August of 2007. These reductions included 3 FTE regular education teachers, 1 FTE middle school principal, and 1 FTE technology coordinator. The District also moved 1 FTE regular education teacher from the General Fund to Title 1. An additional reduction of 1 FTE regular education teacher will be finalized at the September 2007 Board meeting.

## **Objectives, Scope and Methodology**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. The audit assessed the key operations of the District in the areas of financial systems and strategic management, human resources, facilities, transportation, food service and technology. For a list of objectives completed in each section see **Appendix 1-A**.

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 FHLSO and other school districts. AOS developed a composite of 10 selected districts which was used for peer comparisons. The selected districts were as follows:

- East Holmes Local School District (Holmes County);
- Garaway Local School District (Tuscarawas County);
- Indian Valley Local School District (Tuscarawas County);
- Leipsic Local School District (Putnam County);
- Logan-Hocking Local School District (Hocking County);
- Loudonville-Perrysville Exempted Village School District (Ashland County);
- New London Local School District (Huron County);
- New Riegel Local School District (Seneca County);
- Southeast Local School District (Wayne County); and
- Springfield Local School District (Mahoning County).

These districts are classified as rural/agricultural districts with low median incomes and high poverty rates, low per pupil costs, and an academic designation of excellent. The data obtained from the comparison districts was not tested for reliability, although it was reviewed, in detail, for reasonableness. Also, several external organizations and sources were used to provide comparative information and benchmarks. They included, but were not limited to, ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board, the American Schools and Universities, the National Center for Education Statistics, and other related best practices. Information used as criteria (benchmarks or leading practices) was also not tested for reliability. The School Lunch Program Management Reports which contain operational data about the District's food service program reported by FHLSD to ODE were not tested but were examined for reasonableness.

The transportation data provided by FHLSD to ODE and obtained for use in this audit report was found to have errors or incomplete data in some of the key data elements. No other source was available for this data and it could not be replicated as it reflected October 2006 service levels. FHLSD ridership data could not be verified as the District did not calculate its special needs students or its regular needs students in accordance with the ORC and Ohio Administrative Code (OAC) requirements. A discussion on the limitations of the data, along with a recommendation for FHLSD to take corrective action regarding the T form data, is included in the **transportation** section.

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

The Auditor of State and staff express their appreciation to the Federal Hocking Local School District for its cooperation and assistance throughout this audit.

## **Key Recommendations**

The performance audit contains several recommendations pertaining to FHLSD's operations. The most significant recommendations are presented below.

*In the area of financial systems and strategic management, FHLSD should:*

- Develop a District-wide strategic plan which would allow the District to be in position to accurately maintain program and operational effectiveness over an extended period of time. A detailed strategic plan would increase the accuracy of FHLSD's forecasts as the District could rely more heavily on long-term plans that reflect proposed spending and revenue sources. During the course of the performance audit, the District completed a five-year strategic plan; however, the plan does not include all of the recommended elements (see *subsequent events*).
- Develop performance measures for all areas of District operations. Performance measures should be based on identified best practices or benchmarks and should be consistent with the District-wide strategic plan and five-year forecast. Performance measures should be linked to FHLSD's budgetary actions, and ultimately to its strategic plan and forecast. In addition, the District should align its distribution of academic and operational expenditures to better support achievement of its mission to educate students.
- Take the necessary steps to issue Generally Accepted Accounting Principals (GAAP) compliant financial reports in accordance with State law. Completing financial reports under GAAP ensures accurate and fair presentation of financial statements and increases the perceived integrity of the District's financial reporting.
- Follow GFOA best practices and establish an audit committee for the purpose of ensuring that the District addresses any outstanding or future financial audit and management letter citations. Effectively addressing all citations and implementing the recommended practices associated with each citation would allow FHLSD to avoid the re-issuance of citations in subsequent financial audits.

*In the area of human resources, FHLSD should:*

- Consider making staffing reductions<sup>1</sup> to the peer district average or to a level slightly above State minimums in the following areas:
  - 8 regular education FTEs;
  - 3 educational service personnel FTEs;
  - 2 central administrator FTEs;
  - 3 teaching aide FTEs; and
  - 1 library aide FTE.

These reductions would result in a cost savings of \$783,000 for FHLSD. However, the reductions may impact educational programs within the District. During the performance audit, the District eliminated 3.5 FTE ESP personnel, 4.0 regular education FTEs, 1.0 administrator FTE, and 1.0 FTE technology coordinator.

- Develop a plan to restructure its Voluntary Employee Benefits Account (VEBA) so that it is better able to control health care costs and create incentives for employees to self-regulate their use of the health care system. As part of the evaluation, the District should consider how the VEBA plan is structured, and consider limiting or reducing VEBA employer contribution amounts. Reducing VEBA contributions to \$500 per employee could save FHLSD approximately \$84,500 annually.
- Consider renegotiating the following contract provisions:
  - Reduce the maximum sick leave days accrued for the severance pay-out from 60 days (certificated contract) and 55 days (classified contract) to the ORC § 124.39 30-day minimum standard.
  - Reduce holidays to the ORC § 3319.087 minimum standard of 7 days.
  - Reduce vacation days to the ORC § 3318.084 minimum standard, which places limits at 4 weeks vacation for employees with over 20 years of service -- vacation leave should always be taken at a time mutually convenient to the employee and supervisor.
  - Reduce the amount of employee sick leave by incorporating and enforcing stricter District-wide policies for sick leave in the certificated and classified contracts. District administrators should set targets for attendance, and regularly track and monitor sick

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<sup>1</sup> If the District elects to close one or both elementary schools, and consolidate students into one elementary school or the middle/high school building, staffing reductions may be achieved by combining classes.

leave usage by employees. Reducing the maximum sick leave days accrued to the 30-day minimum standard could save the District approximately \$24,000 annually.

*In the area of facilities, FHLSD should:*

- Develop a comprehensive facilities master plan and a five-year capital improvement plan. The master plan should reflect current building configurations and needs and should contain other key elements such as enrollment projections and capacity analyses. The plan should serve as a road map for addressing future facility needs and planned educational programs, and be linked to the District's overall strategic plan. The capital plan should be updated on an annual basis to ensure that critical repairs or equipment replacements are completed. It should include a project categorization and prioritization system that provides management with cost estimates, project timelines, and a breakdown between maintenance tasks and capital projects.
- Seek to reconfigure its building layout and close underutilized buildings. At a minimum, the District should reconfigure the middle school to include fifth through eighth grades and consolidate its two elementary schools for preschool through fourth grades into a single building. Reconfiguration and the closure of one elementary school would increase middle and elementary school utilization rates and result in substantial cost savings for the District.

An alternative option, proposed by District administration and some Board members, would be to consolidate all grades into a single campus by moving all students to the middle/high school campus. To do this, the District could house grades pre-kindergarten through 6 in the middle school building, and grades 7 through 12 in the high school building. Although this option would cause high utilization rates, it would increase the savings from building closures substantially, and bring FHLSD closer to its facility master plan of consolidating all students into a single location. In the future, FHLSD may wish to consider adding rooms to its existing building or formally repurposing space. FHLSD Board members also proposed using portable classrooms to achieve this configuration. Consolidating all grades into the middle/high school campus would save the District approximately \$470,000 annually.

Although both of these options would decrease the District's overall maintenance and operations expenditures, as well as decrease custodial, administrative, clerical, and food service positions, the declining enrollment trend within the District indicates that the single campus option might be of the greatest advantage to FHLSD. In addition to creating a greater cost reduction, a single campus would allow FHLSD to address its facilities issues in a single year, rather than returning to the issue of building closures as its enrollment drops further in future years.

- Reduce overall maintenance and operations expenditures by disposing of excess properties that are not being used for instructional purposes. This would eliminate the costs associated with retaining ownership of the properties, such as insurance, maintenance, and utility costs.
- Implement a formal energy conservation policy that addresses increasing energy usage and costs. Within this policy, the District should standardize and formalize its energy conservation measures, energy purchasing practices, and energy monitoring procedures, as well as articulate its plan to educate employees and students in conservation oriented behaviors. Implementing an energy conservation plan could save the District approximately \$32,000 annually.

*In the area of transportation, FHLSD should:*

- Increase bus utilization to 100 riders per bus (50 riders per tier for a 70 percent utilization rate based on a 72 passenger bus). This would enable the District to lower overall transportation expenditures and shift resources towards educating students. In order to increase utilization, FHLSD should require the Transportation Supervisor to monitor ridership every quarter by riding on the buses and counting the students on every route. Any routes that result in under-utilized buses should be amended or consolidated to eliminate buses and achieve maximum ridership. FHLSD should also consider using one or several of the strategies included in the report, such as rerouting or changing start and end times, to increase bus utilization. Increasing bus utilization to 100 riders per bus, FHLSD could save approximately \$108,000 annually.
- Develop and implement a formal report review process to ensure ridership and expenditure information is reported accurately and pursuant to ORC and OAC requirements. The Transportation Supervisor and the Treasurer should verify the transportation ridership and expenditures before the reports are submitted to ODE for reimbursement. The Transportation Supervisor and those involved in the review process should attend T-Report training to ensure proper submission of FHLSD's T-Reports.
- Amend the collective bargaining agreement between the Federal Hocking Local Board of Education and the Federal Hocking School Employees to require transportation personnel to perform work during the entire period for which they are receiving payment. In addition, FHLSD should seek to renegotiate the bargaining agreement and guarantee its bus drivers a 4.5 hour minimum for daily routes. This will help the District more effectively control personnel costs, ensure employee productivity, and bring the District's overall transportation costs more in-line with its peers. Guaranteeing bus drivers 4.5 hours daily would save the District approximately \$136,000 per year.

- Establish a formal bus replacement plan to ensure that it is properly planning and budgeting to purchase new buses. Bus replacement should be managed by the Transportation Supervisor and the Treasurer's Office. FHLSD's bus replacement plan should primarily focus on replacing the buses with the highest maintenance costs. FHLSD should reduce its spare bus fleet to 25 percent of the fleet or five buses. Replacing two buses per year would cost FHLSD \$140,000 annually.

*In the area of food service, FHLSD should:*

- Ensure that it charges all food service related expenses to the Food Service Fund. Correctly recording appropriate food service expenses will provide a complete financial picture and allow the District to adjust revenues and programs as needed. In addition, resources needed to support classroom and instructional operations will not be impacted by operating costs in the food service operation. Reallocating costs should allow FHLSD to shift approximately \$17,500 from the General Fund to the Food Service Fund.
- Develop a five-year projected budget of revenues and expenditures for food service operations to assist in the effort to continue as a self-sufficient operation. This planning budget should be included within the food service operation's strategic plan. Developing a five-year budget will act as a long-term planning tool to integrate the food service operational goals and objectives.
- Work to increase its meals per labor hours at Amesville Elementary and Coolville Elementary in order to meet, or exceed, the National Food Service Management Institute's (NFSMI) efficiency standards. If the District decides to close one of its elementary schools (see the **facilities** section), it should consider NFSMI's targets when reallocating and adjusting staff. If the District maintains its current structure, it should implement its plan of replacing 1 FTE cook at each elementary school with a part time cashier. Reducing 2 FTE cooks could result in approximately \$33,000 in annual savings.
- Increase its lunch prices by at least \$0.25, or as much as \$0.30, to become more comparable with other districts in Athens County and to help ensure that the food service operation functions as self-supporting. An increase in lunch prices of \$0.25 could generate approximately \$12,000 in additional revenues.

*In the area of technology, FHLS D should:*

- Formally measure the total cost of ownership (TCO) of all its technology-related purchases, expenses, and anticipated outlays, including explicit and implicit costs. TCO should be incorporated into the District's technology plan and budget so that administrators and stakeholders understand the total costs associated with maintaining and operating existing technology.
- Develop a technology budget linking funding for technology projects to the District technology plan and providing a method for the District to better identify and monitor project funding. Technology planning recommendations are more likely to be implemented if specific funding sources are identified.
- Implement a systematic five-year replacement cycle to upgrade technology equipment. Implementing a replacement cycle will require FHLS D to annually set aside funds for technology purchases; however, it would be dependent on available funding. A systematic five-year replacement cycle should help to improve the operational performance of computers; ensure that students and staff have up-to-date hardware, and that older, higher-maintenance machines are replaced in a timely manner. At an estimated replacement cost of \$640 per computer, replacing 20 percent of the District's 600 workstations over a five-year replacement cycle would result in an annual cost of approximately \$77,000.
- Consider implementing a program to train high school students to assist in technical support. These students could assist the Technology Coordinator with basic technology troubleshooting and other minor support tasks.

## **Issues for Further Study**

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

- **VoIP<sup>2</sup> Technology:** FHLSLSD should consider reviewing the cost and benefits of emerging technology such as Internet Protocol or Voice over Internet Protocol (VoIP) telephony to determine whether the District would benefit from implementing expanded services, and achieve potential long-term cost savings. FHLSLSD has previously considered the costs and benefits connected to a transition to Internet Protocol Telephony; however, the District postponed consideration of the technology because of the prohibitive costs associated with the initial investment. Financial limitations have constrained FHLSLSD's ability to consider transfer to a VoIP system since initial investment requires both installation of fiber optic cables to the Internet service provider as well as the investment in District-wide telephony equipment.
- **Printer Costs:** FHLSLSD should consider evaluating printer servicing and repair options to determine strategies to reduce costs. The District should consider conducting a cost-benefit analysis for purchasing refurbished printers versus contracting out repair service. The Technology Coordinator indicated that repairing printers in-house requires significant staff time. The District has contracted out printer repair service periodically at a cost of approximately \$300. The Technology Coordinator has also purchased refurbished printers, and indicated that this option may be better because costs are approximate to contracting out service repair. By conducting a detailed evaluation, the District should be able to determine which of the options are cost-effective and yield the most benefits for the District.

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<sup>2</sup> Voice over Internet Protocol, also called VoIP, IP Telephony, Internet telephony, Broadband telephony, Broadband Phone and Voice over Broadband, is the routing of voice conversations over the Internet or through any other Internet Protocol (IP) based network.

## Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which FHLSD should consider. Some of the recommendations are dependent on labor negotiations or collective bargaining agreements (see **human resources** and **transportation** sections). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

### **Summary of Performance Audit Recommendations for the General Fund First Year (FY 2007-08) Savings**

<b>Recommendations Not Subject to Negotiation</b>	
<b>R2.10</b> Require all employees to participate in direct deposit.	\$900
<b>R3.1</b> Reduce eight regular education teaching positions.	\$311,000
<b>R3.2</b> Reduce three ESP positions.	\$187,000
<b>R3.3</b> Reduce three central administration positions.	\$192,000
<b>R3.4</b> Reduce four non-certificated support positions including: one library staff position and three teaching aides.	\$93,000
<b>R4.1</b> Reconfigure building utilization to a single campus.	\$470,000
<b>R4.5</b> Establish a formal energy conservation policy.	\$32,000
<b>R5.2</b> Increase bus utilization.	\$108,000
<b>R5.5</b> Purchase fuel from ODAS or other consortium.	\$5,500
<b>R5.6</b> Implement and enforce a "no idle" policy.	\$15,000
<b>Subtotal Not Subject to Negotiations</b>	<b>\$1,414,400</b>
<b>Recommendations Subject to Negotiation</b>	
<b>R3.7</b> Increase employee contributions to 8.9 for single and 13.9 percent for family.	\$83,500
<b>R3.8</b> Reduce employer VEBA contributions from \$1,000 to \$500 per employee.	\$84,500
<b>R3.9</b> Reduce the maximum sick leave days accrued for the certificated staff, and reduce the average annual sick leave taken for certificated employees.	\$24,000
<b>R5.4</b> Decrease bus driver minimum hours.	\$136,000
<b>Subtotal Subject to Negotiations</b>	<b>\$328,000</b>
<b>Total Cost Savings from Performance Audit Recommendations</b>	<b>\$1,742,400</b>

**Source:** AOS Performance Audit Recommendations

**Note:** 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 depending on the implementation of the various recommendations.

### **Implementation Costs – First Year (FY 2007-08)**

<b>R5.7</b> Replace two buses annually.	\$140,000
<b>R7.3</b> Implement computer replacement cycle.	\$77,000
<b>Total Implementation Costs</b>	<b>\$217,000</b>

**Source:** AOS Performance Audit Recommendations

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**Summary of Financial Implications for Food Service Fund**

<b>R6.1</b> Charge all food service related expenditures to the Food Service Fund (cost reduction to General Fund).	(\$17,500)
<b>R6.5</b> Eliminate 2 FTE cooks.	\$33,000
<b>R6.6</b> Raise lunch prices \$0.25 per meal.	\$12,000
<b>Total Cost Savings from Performance Audit Recommendations</b>	<b>\$27,500</b>

Source: AOS Performance Audit Recommendations

## Appendix 1-A: Audit Objectives

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Objectives completed for each section of this audit are as follows:

### **Financial Systems**

- What has been the District's financial history and does the District have policies and procedures to ensure effective and efficient management?
- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system of communicating its financial data and does the District actively involve parents and other stakeholders in the decision making process?
- Has the District developed a strategic plan that links to educational and operational plans and meets best practice criteria?
- Are the District's budgetary processes consistent with best practices and how do the district's revenues and expenditures compare with the peer districts?
- Has the District established effective internal controls?
- Are the Treasurer's operations staff organized efficiently and managed effectively?
- Do the District's purchasing practices follow best practices and do procedures ensure adequate internal control over purchases?

### **Human Resources**

- Is the District's current allocation of personnel efficient and effective?
- Is the District's compensation package in line with other high performing districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?

- Are the District's negotiated agreements in line with peers and best practices?
- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?
- Does the District use HRIS technology to manage its human resources?
- Does the Board operate in an effective manner?
- Does the District provide special education programs for students with disabilities that maximizes resources and are compliant with State and federal regulations?
- Does the District provide effective and efficient programs to meet the needs of at-risk students?
- Does the District provide an appropriate range of accelerated programs?
- Does the District provide effective and efficient workforce development programs (such as vocational-technical education) that meet the needs and expectations of the community?

### **Facilities**

- Does the District 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 maintenance and operations department have a system for prioritizing maintenance needs uniformly throughout the District?

**Transportation**

- Does the District’s transportation policy and procedures lead to the effective and efficient provision of services that meet the needs of the community?
- How does the District’s yellow bus service compare with peer districts and industry benchmarks?
- How do the District’s expenditures and cost ratios compare with peer districts?
- Does the District have adequate controls over reporting transportation data, securing physical assets and procuring transportation-related items?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing special needs transportation in an effective and efficient manner?

**Food Service**

- Is the current financial status of the District’s food service operation positive?
- Has the District’s food service program developed strategic or operational plans that are consistent with other District plans, the program budget, approved by the District, and supported by the operation’s policies and procedures?
- Does the District have effective purchasing practices and are these practices sufficiently followed?
- Are the District’s food service operations human resource allocation and management processes comparable to recommended practices and benchmarks?
- Are the District’s food service information systems adequate and properly used?
- Does the District effectively monitor participation in free and reduced lunch programs?

**Technology**

- 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?
- Are the District's technology support staff effectively and efficiently deployed?
- Is the District's technology infrastructure efficiently and effectively deployed?
- Is the District's 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?
- Does the District maximize use of software and minimize manual process in financial and human resources management?

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**FINANCIAL SYSTEMS  
&  
STRATEGIC MANAGEMENT**

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# Financial Systems and Strategic Management

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## Background

This section focuses on the financial systems and strategic management functions within the Federal Hocking Local School District (FHLSD or the District). **Appendix 1-A** provides a summary of the audit objectives for the financial systems and strategic management section. The current and future financial condition of FHLSD, along with management policies and procedures, were evaluated for the purpose of developing recommendations for improvements and identifying opportunities to increase efficiency. FHLSD's five-year forecast was also analyzed to ensure that the projections reasonably represent future operational and financial conditions. FHLSD's policies, procedures, and operations were evaluated against best practices, industry benchmarks, operational standards, and the average of ten peer districts<sup>1</sup> for the purpose of developing recommendations to improve efficiencies and business practices.

### *Financial History*

FHLSD operates at the 20 mill floor and has not passed an operating levy since 1977 when a 6.5 mill renewal levy was passed. FHLSD did pass a 6 mill elementary schools bond levy issue in 1986, and a 1.16 mill bond levy for a new middle school building and improvements to other district buildings in 1994. FHLSD had proposed other levies but these were not approved by the District's voters.

FHLSD has been functioning with a General Fund operating deficit since FY 2002-03. FHLSD's FY 2002-03 financial audit shows that expenditures were about \$115,800 over revenues. However, at the close of FY 2002-03 FHLSD maintained a General Fund cash balance of approximately \$848,000. FHLSD's January 2007 forecast shows three years of historical expenditures (FYs 2003-04 through 2005-06), all of which show an operating deficit and a declining General Fund cash balance. All five of the projected years show both an operating and General Fund cash balance deficit. In FY 2006-07, the projected deficit is 4.7 percent of total revenues.

On October 18, 2006, FHLSD was placed in fiscal caution under Ohio Revised code (ORC) § 3316.03, based on an Ohio Department of Education (ODE) financial analysis that indicated potential deficits starting in FY 2006-07. At its November 27, 2006 meeting, the FHLSD Board of Education (Board) voted to submit a letter to ODE indicating that it could not develop a recovery plan to eliminate the entire \$1.8 million deficit projected for FY 2007-08. Furthermore,

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<sup>1</sup> See the **executive summary** section for a description of the 10 peer district average used as a benchmark throughout this report.

FHLSD's Board requested that the Auditor of State (AOS) place the District in fiscal emergency. On February 8, 2007, ODE notified AOS that FHLSD had failed to submit an acceptable fiscal caution proposal and requested that AOS consider placing FHLSD in fiscal watch or fiscal emergency. On March 20, 2007 AOS placed FHLSD in fiscal watch per ODE's request. On April, 13, 2007, ODE notified AOS that FHLSD had failed to submit an acceptable fiscal watch recovery plan, to address the projected FY 2007-08 \$1.8 million deficit, pursuant to ORC § 3316.04 and ODE requested that AOS consider placing the District in fiscal emergency. AOS placed the District in fiscal emergency status effective May 21, 2007.

FHLSD has had four different Treasurers since FY 2003-04. One of these individuals served only as interim Treasurer for approximately five months during FY 2006-07. During FY 2006-07 the District hired a new Assistant Treasurer who became Treasurer effective January 2007. The turnover in the Treasurer's position has resulted in limited coordination, poor levels of uniformity, and inconsistent oversight that has negatively impacted FHLSD's financial situation.

FHLSD has taken some steps to improve its financial situation including convening community meetings to gather public input and suggestions. In addition, FHLSD has been reducing staffing levels since FY 2002-03. Also, in December 2006, the Board voted to move 3.5 inside mills to outside mills allocated to its Permanent Improvements Fund. This was possible because the District was at the 20 mill floor. Moving the millage allows some capital costs paid out of the General Fund to be paid out of the Permanent Improvement Fund. The burden on taxpayers was negligible; however, as the District's bond issue was reduced 3.7 mills by the Athens County auditor since the District has more voted millage than was needed to retire its bond issue. On December 20, 2006, the Athens County Budget Commission verified that the Board followed proper legal procedure in making this millage change.

### *Staffing within the Treasurer's Office*

The Treasurer's Office consists of four full-time equivalent (FTE) employees, including the Treasurer, two assistant treasurers, and an Education Management Information System (EMIS) Coordinator. The Treasurer is responsible for managing and tracking the District's revenue and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the District's five-year forecast. FHLSD's Assistant Treasurer (Payroll) is responsible for computing salaries and wages and processing payroll for all persons employed by the District. The Assistant Treasurer (Purchasing) is responsible for maintaining accurate records of all requisitions, purchase orders, vouchers, account records, inventory, and other information to support financial operations. The EMIS Coordinator is responsible for maintaining the accuracy of FHLSD's EMIS staff and student data.

The Treasurer's Office organizational structure has clear lines of authority and appropriate span of control for supervision. However, staff within the office is not cross-trained and accounting procedures are not formalized in written policies and procedures (see **R2.6**).

Like most school districts in Ohio, FHLSD uses State software for its accounting and payroll systems. This software appears to meet the District's needs and the Treasurer and assistant treasurers are aware of its functions and limitations.

*Financial Condition*

The financial forecast presented in **Table 2-1** represents the Treasurer's projections of present and future financial conditions at the time of the audit engagement. AOS has reviewed the key assumptions that have a significant impact on the forecast including: property tax revenue, unrestricted State funding, salaries, and benefits.

**Table 2-1: FHLSD 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)	\$1,395	\$1,411	\$1,678	\$1,772	\$1,806	\$2,038	\$2,233	\$2,277
Tangible Personal Tax	\$522	\$579	\$543	\$508	\$492	\$475	\$471	\$471
Unrestricted Grants-in-Aid	\$7,114	\$7,031	\$7,209	\$7,078	\$7,085	\$7,088	\$7,092	\$7,096
Restricted Grants-in Aid	\$499	\$507	\$590	\$671	\$667	\$667	\$667	\$667
Property Tax Allocation	\$311	\$215	\$127	\$161	\$183	\$232	\$302	\$319
All Other Revenues	\$262	\$675	\$864	\$724	\$733	\$742	\$751	\$760
<b>Total Revenues</b>	<b>\$10,103</b>	<b>\$10,418</b>	<b>\$11,011</b>	<b>\$10,913</b>	<b>\$10,965</b>	<b>\$11,244</b>	<b>\$11,517</b>	<b>\$11,589</b>
<b>Other Financing Sources:</b>								
Proceeds from Sale of Notes	\$0	\$0	\$29	\$0	\$0	\$0	\$0	\$0
Operating Transfers-In	\$0	\$321	\$147	\$0	\$0	\$0	\$0	\$0
Advances-In	\$381	\$83	\$75	\$0	\$0	\$0	\$0	\$0
All Other Financial Sources	\$1	\$4	\$1	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$382	\$407	\$252	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues and Other Financing Sources</b>	<b>\$10,486</b>	<b>\$10,825</b>	<b>\$11,263</b>	<b>\$10,913</b>	<b>\$10,965</b>	<b>\$11,244</b>	<b>\$11,517</b>	<b>\$11,589</b>
<b>Expenditures:</b>								
Personal Services	\$5,901	\$5,914	\$5,842	\$5,762	\$5,987	\$6,221	\$6,463	\$6,715
Employees' Retirement/Insurance Benefits	\$2,525	\$2,550	\$2,815	\$2,860	\$3,168	\$3,481	\$3,843	\$4,263
Purchased Services	\$1,163	\$1,522	\$1,957	\$2,102	\$2,294	\$2,503	\$2,729	\$2,973
Supplies and Materials	\$474	\$438	\$382	\$434	\$445	\$456	\$468	\$480
Capital Outlay	\$85	\$83	\$84	\$43	\$44	\$44	\$45	\$46
<b>Debt Service:</b>								
Principal-Other	\$0	\$0	\$0	\$22	\$22	\$22	\$22	\$22
Other Objects	\$155	\$134	\$294	\$300	\$305	\$312	\$318	\$324
<b>Total Expenditures</b>	<b>\$10,303</b>	<b>\$10,641</b>	<b>\$11,373</b>	<b>\$11,522</b>	<b>\$12,265</b>	<b>\$13,039</b>	<b>\$13,888</b>	<b>\$14,823</b>
<b>Other Financing Uses:</b>								
Operational Transfers-Out	\$2	\$386	\$151	\$0	\$8	\$10	\$13	\$15
Advances-Out	\$317	\$74	\$1	\$0	\$0	\$0	\$0	\$0
All Other Financing Uses	\$48	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$367	\$460	\$152	\$0	\$8	\$10	\$13	\$15
<b>Total Expenditures and Other Financing Uses</b>	<b>\$10,670</b>	<b>\$11,101</b>	<b>\$11,525</b>	<b>\$11,522</b>	<b>\$12,272</b>	<b>\$13,049</b>	<b>\$13,900</b>	<b>\$14,838</b>
<b>Result of Operations (Net)</b>	<b>(\$185)</b>	<b>(\$276)</b>	<b>(\$262)</b>	<b>(\$609)</b>	<b>(\$1,307)</b>	<b>(\$1,805)</b>	<b>(\$2,384)</b>	<b>(\$3,249)</b>
Beginning Cash Balance	\$848	\$664	\$388	\$126	(\$483)	(\$1,790)	(\$3,595)	(\$5,979)
Ending Cash Balance	\$664	\$388	\$126	(\$483)	(\$1,790)	(\$3,595)	(\$5,979)	(\$9,228)
Budget Reserve	\$0	\$229	\$404	\$0	\$0	\$0	\$0	\$0
Bus Services	\$1	\$37	\$20	\$40	\$0	\$20	\$40	\$0
Total Reservations	\$1	\$267	\$424	\$40	\$0	\$20	\$40	\$0
<b>Fund Balance June 30 for Certification of Appropriations</b>	<b>\$663</b>	<b>\$122</b>	<b>(\$298)</b>	<b>(\$523)</b>	<b>(\$1,790)</b>	<b>(\$3,615)</b>	<b>(\$6,019)</b>	<b>(\$9,228)</b>

Source: FHLSD FY 2006-07 January forecast.

FHLSD's financial forecast in **Table 2-1** presents 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, FHLSD's year-end projected deficit, as a percentage of the prior year's total operating revenue, is 4.7 percent in FY 2006-07, rising to 80.0 percent in FY 2010-11. This is caused by an accelerating projected operating loss of approximately \$609,000 in FY 2006-07, \$1,307,000 in FY 2007-08, \$1,805,000 in FY 2008-09, \$2,384,000 in FY 2009-10, and \$3,249,000 in FY 2010-11.

AOS analyzed the assumptions and methodology used by the Treasurer in developing FHLSD's forecast. By its nature, forecasting requires estimates of future events; therefore, differences between projected and actual results are common, as circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared. AOS analyzed the line items of general property taxes, unrestricted grants-in-aid, personal services, and retirement and benefits and the assumptions, methodology, and projections for the line items were deemed appropriate.

During the course of the audit it was determined that FHLSD would not be able to meet its set-aside requirements for FY 2006-07. However, FHLSD submitted a letter to the Superintendent of Public Instruction requesting that the requirement be waived, given the District's financial condition.

AOS has determined that FHLSD's forecast as presented in **Table 2-1** is based on reasonable assumptions, methodology, and projections. Furthermore, FHLSD has made its forecast assumptions available to the public using ODE's web site; AOS considers publishing assumptions in this manner a leading practice. However, FHLSD lacks strategic management practices in three key areas which could increase operational efficiencies as well as the overall accuracy of the forecast. The three strategic management areas include: planning (**R2.1 and R2.2**), policies and procedures (**R2.6**), and performance measurement (**R2.3**).

### *Financial Operations*

#### **Revenues and Expenditures per Pupil<sup>2</sup>**

FHLSD's allocation of resources between the District's various functions reflects an important aspect of the budgeting process. Given the limited resources available, functions must be continually evaluated and prioritized. **Table 2-2** shows FHLSD's FY 2005-06 revenues and expenditures per pupil as compared to the peer district average.

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<sup>2</sup> For the purposes of this section of the performance audit, the student count used to calculate per pupil amounts are based on FHLSD's formula average daily membership (ADM) as calculated by ODE and published on the District's FY 2005-06 final SF3 report. ADM is calculated using FHLSD's October headcount information as submitted to ODE.

**Table 2-2: FY 2005-06 Revenues and Expenditures per Pupil**

	<b>FHLS</b>	<b>Peer District Average</b>	<b>FHLS to Peer Avg. Variance</b>	<b>FHLS to Peer Avg. Percent Variance</b>
<b>Pupils</b>	<b>1,285</b>	<b>1,447</b>	<b>(162)</b>	<b>(11.2%)</b>
Property & Income Tax	\$1,804	\$3,402	(\$1,598)	(47.0%)
Intergovernmental Revenues	\$6,179	\$4,282	\$1,897	44.3%
Other Revenues	\$585	\$525	\$60	11.3%
<b>Total Revenue</b>	<b>\$8,568</b>	<b>\$8,209</b>	<b>\$359</b>	<b>4.4%</b>
Wages	\$4,546	\$4,532	\$14	0.3%
Fringe Benefits	\$2,191	\$1,702	\$489	28.7%
Purchased Service	\$1,523	\$957	\$566	59.0%
Purchased Services (Excluding Tuition) <sup>1</sup>	\$504	\$544	(\$40)	(7.4%)
Supplies & Textbooks	\$297	\$312	(\$15)	(4.8%)
Capital Outlays	\$65	\$132	(\$67)	(50.9%)
Debt Service	\$0	\$5	(\$5)	(100.0%)
Miscellaneous	\$228	\$181	\$47	26.6%
Other Financing Uses	\$118	\$155	(\$37)	(23.7%)
<b>Total Expenditures</b>	<b>\$8,968</b>	<b>\$7,976</b>	<b>\$992</b>	<b>12.4%</b>

Source: FHLS and peer districts' FY 2005-06 financial data.

<sup>1</sup> FHLS's largest purchased services expenditure category was tuition (\$1,309,000); however, tuition expenditures are not able to be affected by District actions. Therefore, in order to accurately compare FHLS to the peer district average, tuition expenditures were removed. Less tuition expenditures; FHLS's per pupil purchased service expenditure was approximately \$504 compared to the peer district average of approximately \$544 -- 7.4 percent lower than the peer district average. However, the tuition expenditures have a substantial effect on FHLS as expenditures in this area compared to total expenditures were 17.0 percent versus an average of 11.9 percent for the peers (see **Table 2-3**).

As shown by **Table 2-2**, FHLS's total expenditures per pupil in FY 2005-06 exceeded total revenues per student by approximately \$350. In addition FHLS's total revenue and total expenditures per pupil exceeded those of the peer district average.

**Table 2-3** shows FHLS's FY 2005-06 line item revenues and expenditures as a percent of total and as compared to the peer district average.

**Table 2-3: FY 2005-06 Revenues and Expenditures as a Percent of Total**

	FHLSD	Peer District Average	FHLSD to Peer Avg. Percent Variance
Property & Income Tax	21.1%	41.1%	(48.8%)
Intergovernmental Revenues	72.1%	52.5%	37.3%
Other Revenues	6.8%	6.4%	6.3%
<b>Total Revenue</b>	<b>\$11,011,029</b>	<b>\$11,638,327</b>	<b>(5.4%)</b>
Wages	50.7%	56.9%	(10.9%)
Fringe Benefits	24.4%	21.4%	14.3%
Purchased Service	17.0%	11.9%	42.4%
Supplies & Textbooks	3.3%	3.9%	(15.2%)
Capital Outlays	0.7%	1.7%	(56.2%)
Debt Service	0.0%	0.1%	(100.0%)
Miscellaneous	2.5%	2.3%	12.3%
Other Financing Uses	1.3%	1.9%	(31.0%)
<b>Total Expenditures</b>	<b>\$11,525,013</b>	<b>\$11,383,346</b>	<b>1.2%</b>

Source: FHLSD and peer districts' FY 2005-06 financial data.

As shown in **Table 2-3**, FHLSD's FY 2005-06 total revenues were heavily weighted toward intergovernmental sources. In contrast, the peer district average was more balanced between local and intergovernmental revenue sources. FHLSD's higher reliance on intergovernmental revenues is an indication that the District has a weaker local property tax base than that of the peer district average.

FHLSD's fringe benefits expenditures were significantly higher than the peer district average in FY 2005-06. This line item includes expenditures for retirement, insurance benefits, workers' compensation, unemployment and other employee retirement and insurance benefits. FHLSD's high expenditures as a percent of total expenditures compared to the peer district average (24.4 percent versus 21.4 percent) can be attributed to certificated and non-certificated retirement and certificated and non-certificated insurance benefits (see also **human resources** section). On a per pupil basis, FHLSD's fringe benefits expenditures of \$2,191 exceeded the peer average of \$1,702 by almost \$490.

### Governmental Expenditures

**Table 2-4** shows FHLSD's FY 2005-06 governmental expenditures by type on a per-pupil and percent of total basis, and as compared to the peer district average.

**Table 2-4: FY 2005-06 Governmental Expenditures by Type**

Pupils	FHLSD FY 2005-06		Peer District Average		FHLSD compared to Peer Average	
	1,285		1,447		(162)	
USAS Function Classification	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Variance	% Variance
<b>Instructional Expenditures:</b>	<b>\$5,743</b>	<b>55.3%</b>	<b>\$5,339</b>	<b>60.2%</b>	<b>\$404</b>	<b>7.6%</b>
Regular Instruction	\$4,000	38.5%	\$3,886	43.8%	\$114	2.9%
Special Instruction	\$1,498	14.4%	\$1,035	11.7%	\$463	44.7%
Vocational Education	\$128	1.2%	\$210	2.4%	(\$82)	(39.1%)
Adult/Continuing Education	\$0	0.0%	\$1	0.0%	(\$1)	(100.0%)
Other Instruction	\$117	1.1%	\$206	2.3%	(\$89)	(43.2%)
<b>Support Service Expenditures:</b>	<b>\$4,542</b>	<b>43.7%</b>	<b>\$3,188</b>	<b>36.0%</b>	<b>\$1,354</b>	<b>42.5%</b>
Pupil Support Services	\$284	2.7%	\$356	4.0%	(\$72)	(20.2%)
Instructional Support Services	\$549	5.3%	\$404	4.6%	\$145	35.9%
Board of Education	\$16	0.2%	\$26	0.3%	(\$10)	(38.5%)
Administration	\$842	8.1%	\$787	8.9%	\$55	7.0%
Fiscal Services	\$1,073	10.3%	\$272	3.1%	\$801	294.5%
Business Services	\$0	0.0%	\$8	0.1%	(\$8)	(100.0%)
Plant Operation & Maintenance	\$797	7.7%	\$766	8.7%	\$31	4.1%
Pupil Transportation	\$925	8.9%	\$547	6.2%	\$378	69.1%
Central Support Services	\$57	0.6%	\$23	0.3%	\$34	147.8%
<b>Non-Instructional Services Expenditures</b>	<b>\$29</b>	<b>0.3%</b>	<b>\$38</b>	<b>0.4%</b>	<b>(\$9)</b>	<b>(23.7%)</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$75</b>	<b>0.7%</b>	<b>\$302</b>	<b>3.4%</b>	<b>(\$227)</b>	<b>(75.2%)</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$10,389</b>	<b>100.0%</b>	<b>\$8,866</b>	<b>100.0%</b>	<b>\$1,523</b>	<b>17.1%</b>

Source: FHLSD and peer districts' FY 2005-06 financial data.

As shown in **Table 2-4**, FHLSD's governmental fund expenditures exceeded those of the peer district average for instructional, support, and total expenditures. FHLSD's instructional expenditures were \$404 per pupil higher than the peer district average. However, FHLSD allocated 55.3 percent of total per pupil expenditures towards instructional expenditures as compared to the peer district average of 60.2 percent. FHLSD was significantly higher on a dollar and percentage expenditure basis per pupil for special education instruction. For further analysis of special education expenditures, see the **human resources** section.

FHLSD allocated a greater percentage of per pupil costs towards support service functions. In FY 2005-06, FHLSD devoted 43.7 percent of per pupil expenditures towards support services compared to the peer district average of 36.0 percent. Within this category of expenditures were a number of specific items for which FHLSD was significantly higher including instructional support services, administration, fiscal services, pupil transportation, and central support

services. See the **human resources** section for an analysis of instructional support services and administration costs. Pupil transportation services are analyzed in the **transportation section**.

FHLSD's higher cost per pupil for fiscal services can be linked primarily to open enrollment deductions of approximately \$1,042,000 in FY 2005-06. However, two other cost drivers were AOS audit charges of approximately \$34,000 and auditor and treasurer fees of approximately \$40,000.

FHLSD's higher cost per pupil for central support services can be linked to non-General Fund public school support function expenditures of approximately \$73,000 in FY 2005-06. The majority of these expenditures were for supplies and equipment of approximately \$28,000, purchased services of \$21,000 and resale items of \$19,000. These expenditures are from the individual building accounts (Fund 018), also known as the principals' accounts, and while these accounts are controlled by the Treasurer the expenditures are guided by the building-level administrators. Further review of FHLSD's financial records showed that the accounts do not receive any General Fund support in the form of transfers or advances. A majority of the revenues were generated by extracurricular activity sales (67.5 percent) and private donations (14.5 percent). As these expenditures are non-General Fund, they will not affect the forecast. However, these expenditures should be reviewed by the Treasurer to determine if they qualify toward meeting FHLSD's required textbook and capital outlay set-asides.

### **Discretionary Expenditures**

**Table 2-5** shows FHLSD's FY 2005-06 discretionary expenditures per pupil, as a percentage of the total, and as compared to the peer district average.

**Table 2-5: FY 2005-06 Discretionary Expenditures Comparison**

Pupils	FHLSD FY 2005-06		Peer District Average		FHLSD to Peer Average	
	1,285		1,447		(162)	
Discretionary Expenditures	Per Pupil	% of Total	Per Pupil	% of Total	Variance	Percent Variance
Prof. and Technical Service	\$53.43	0.6%	\$180.67	2.2%	(\$127.23)	(70.4%)
Property Services	\$138.60	1.6%	\$139.43	1.8%	(\$0.83)	(0.6%)
Mileage/Meeting Expense	\$30.90	0.3%	\$19.78	0.3%	\$11.12	56.2%
Communications	\$29.64	0.3%	\$23.83	0.3%	\$5.81	24.4%
Contract, Craft or Trade Service	\$0.00	0.0%	\$1.36	0.0%	(\$1.36)	(100.0%)
Pupil Transportations	\$6.84	0.1%	\$7.49	0.1%	(\$0.65)	(8.7%)
Other Purchased Service	\$0.00	0.0%	\$5.76	0.1%	(\$5.76)	(100.0%)
General Supplies	\$49.15	0.6%	\$119.29	1.5%	(\$70.15)	(58.8%)
Textbooks/Reference Materials	\$46.67	0.5%	\$38.61	0.5%	\$8.06	20.9%
Supplies & Materials for Resale	\$0.00	0.0%	\$16.64	0.2%	(\$16.64)	(100.0%)
Food & Related Supplies/Mat.	\$0.00	0.0%	\$0.50	0.0%	(\$0.50)	(100.0%)
Plant Maintenance and Repair	\$17.05	0.2%	\$49.20	0.6%	(\$32.15)	(65.3%)
Fleet Maintenance and Repair	\$184.28	2.1%	\$87.51	1.1%	\$96.77	110.6%
Other Supplies & Materials	\$0.00	0.0%	\$0.42	0.0%	(\$0.42)	0.0%
Land, Building, & Improvements	\$0.00	0.0%	\$49.95	0.6%	(\$49.95)	(100.0%)
Equipment	\$14.00	0.2%	\$48.26	0.6%	(\$34.26)	(71.0%)
Buses/Vehicles	\$50.99	0.6%	\$34.25	0.4%	\$16.74	48.9%
Dues and Fees	\$206.65	2.3%	\$166.99	2.1%	\$39.66	23.7%
Insurance	\$21.83	0.2%	\$11.01	0.1%	\$10.82	98.3%
Awards and Prizes	\$0.00	0.0%	\$0.16	0.0%	(\$0.16)	(100.0%)
Miscellaneous	\$0.00	0.0%	\$2.25	0.0%	(\$2.25)	(100.0%)
<b>Total</b>	<b>\$850.03</b>	<b>9.5%</b>	<b>\$1,003.35</b>	<b>12.6%</b>	<b>(\$153.32)</b>	<b>(15.3%)</b>

Source: FHLSD and peer districts' FY 2005-06 financial data.

As shown by **Table 2-5**, FHLSD's discretionary expenditures per pupil were lower than the peer district average. However, there were several items for which FHLSD's expenditures were significantly higher than those of the peer district average including:

- **Mileage/meeting** – expenditures per pupil for this category exceeded the peer district average primarily due to the District's certificated mileage and tuition reimbursement expenditures of approximately \$17,000.
- **Communications** – FHLSD has higher expenditures per pupil for communications; however, the District spends the same percentage of its total discretionary expenditures in this area as the peers. FHLSD's higher per pupil expenditures can be attributed in part to lower enrollment and underutilized school buildings. See **facilities** section for a discussion on closing underutilized building which would help to eliminate the inefficiencies associated with building-level communications infrastructure and their associated cost.

- **Textbooks/reference materials** – expenditures per pupil for this classification were higher than the peer district average primarily due to the District’s required textbook set-asides and expenditures.
- **Fleet maintenance and repair** – maintenance and repair expenditures per pupil were higher than the peer district average due to the prevalence of rough roads in the District which added to vehicle maintenance cost (see the **transportation** section).
- **Buses/vehicles** - expenditures per pupil for this category exceeded the peer district average primarily due to the District’s purchase of one bus in FY 2005-06 (see the **transportation** section).
- **Dues and fees** – expenditures per pupil for dues and fees exceeded the peer district average as a result of fees associated with the District’s ongoing financial audit citations (see **R2.7** and **R2.8**).
- **Insurance** –expenditures per pupil were higher than the peer district average due to the District’s building and vehicle insurance (see the **facilities** and **transportation** sections). In these two sections insurance is further analyzed using different operating ratios (cost per square foot and cost per rider in the **facilities** and **transportation** sections, respectively). While FHLSD has higher costs on a per pupil basis, the District’s insurance expenditures are comparable to the peer district averages when compared on these other operating ratios.

## Recommendations

- R2.1 FHLSD should develop a District-wide strategic plan which would allow the District to be in position to accurately maintain program and operational effectiveness over an extended period of time. A detailed strategic plan would increase the accuracy of FHLSD's forecasts as the District could rely more heavily on long-term plans that reflect proposed spending and revenue sources.**

**During the course of the performance audit, FHLSD completed a five-year strategic plan; however, the plan does not include all of the recommended elements. The plan would benefit from the inclusion of goals, measurable objectives, performance measures; and an action plan with detailed timelines for completion and assigned responsible parties. Inclusion of these additional items would help FHLSD fully implement the performance audit recommendation.**

FHLSD lacks a District-wide strategic plan that encompasses both academic and business-related goals. FHLSD's formal annual planning efforts have focused on developing the District's comprehensive continuous improvement plan (CCIP) which is required by ODE. FHLSD also developed a five-year staffing plan in 2002 and updated it for FY 2005-06. In addition, the Ohio School Facilities Commission (OSFC) completed an assessment report for all District buildings in 2004.

*Recommended Practices on the Establishment of Strategic Plans* (GFOA, 2005) proposes that all governments develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. While it is important to balance the vision of the community with available resources, the resources available should not inhibit the vision. The organization's objectives for a strategic plan will help determine how the resources available can be tied to the future goals. An important complement to the strategic planning process is the preparation of a long-term financial plan (five-year forecast), prepared concurrently with the strategic plan.

FHLSD will be able to increase efficiency and financial accountability throughout the District with the development of and adherence to a strategic plan and additional supporting departmental plans. The ability to focus forecasted funds toward the achievement of a District-wide strategic plan and corresponding departmental and program plans should allow for a more efficient and effective use of District resources. In addition to the development of a District-wide strategic plan, AOS has also identified a number of detailed planning elements that FHLSD has not developed which are described in **R2.2**. FHLSD's establishment of a District-wide strategic plan would also allow for the development of performance benchmarks (see **R2.3**).

Aside from the annual review and updates to the CCIP, FHLSD has not consistently updated and reviewed its other planning resources including the staffing and facilities assessment plans. FHLSD's lack of formal updates has diminished the usefulness of the plans. Plans define the FHLSD's goals and thus provide a direction for focusing the use of District resources. Poorly focused direction could lead to inefficiencies caused by relying on outdated planning materials which, in turn, may be inconsistent with the District's long-term priorities. Any existing plans, or plans developed by the District subsequent to this audit, should be formally reviewed and updated on an annual basis.

**R2.2 In addition to the District-wide strategic plan, FHLSD should develop or update the following planning documents:**

- **A comprehensive facilities master plan;**
- **A capital improvements plan (capital plan);**
- **A bus replacement plan;**
- **A preventive maintenance plan (encompassing transportation, facilities, and food service); and**
- **A five-year food service plan and five-year forecast.**

**If FHLSD were to develop the above recommended planning items, the District would be better prepared to address large purchases and maintain its capital assets over time. Furthermore, FHLSD would be able to forecast expenditures more accurately in its Permanent Improvement and Food Service funds. Increased planning for future expenditures would help FHLSD prioritize its goals and allocate appropriate resources to achieve key objectives.**

AOS has identified several areas in which FHLSD has not yet developed operational plans. A summarized list of planning needs can be found below while a more detailed analysis, when warranted, will be found in the subsequent report sections. These areas of planning deficiency include:

- **A comprehensive facilities master plan:** FHLSD should use the existing OSFC assessment report as a basis for the development of a comprehensive facilities master plan. Furthermore, FHLSD should convene a committee of relevant stakeholders for the purposes of evaluating and updating the plan on an annual basis. *Creating a Successful Facilities Master Plan* (DeJong and Associates, Inc., 2001), notes that the plan should contain information on capital improvement and financing, preventive maintenance and work order processes, overall safety and condition of the buildings, enrollment projections, and capacity analyses. Developing a comprehensive facilities master plan would help FHLSD ensure that the District's facilities are being maintained in a manner consistent with its goals and objectives (see also the **facilities** section).

- **A capital improvements plan (capital plan):** FHLSD should develop a capital plan which includes a project categorization and prioritization system that provides management with cost estimates, project timelines, and a breakdown between maintenance tasks and capital projects (see also the **facilities** section). *Preventative Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000) describes a capital improvement program as a schedule of capital improvement projects, listed in priority order, over a five-year period. Further, the capital plan proposes specific projects to meet the needs identified in the District-wide strategic plan and outlined in the facilities master plan.
- **A bus replacement plan:** FHLSD should develop a bus replacement plan to ensure that the District budgets a sufficient amount of funds to meet the Transportation Department's future fleet needs (see also the **transportation** section). The GFOA recommends that governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on an organization's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. FHLSD's bus replacement plan should be tied to the District-wide strategic plan and should be reflected in the District's five-year forecast.
- **A Transportation Department, Building and Grounds Department, and Food Service preventive maintenance plan:** FHLSD should develop a Transportation Department preventive maintenance plan which addresses, at a minimum, all factory recommended fleet maintenance. According to *Public Works Management Practices Manual* (American Public Works Association, 1999), effective equipment management involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs, which follow the manufacturer's recommendation and schedules, will result in a dependable fleet and extended equipment life with lower operation, maintenance, and repair costs.

Additionally, the District should develop and implement a preventive maintenance program that addresses all routine, cynical, and planned building maintenance functions. As part of this program the District should conduct facility audits to assess and evaluate the condition of its facilities and components and maintain a data management system to retain this information. Furthermore, the District should incorporate preventive maintenance into its work order system. By not having a preventive maintenance program the District decreases the operating efficiency of the equipment, quickens premature replacement of components, and increases instances of interruptions for building occupants caused by equipment outages. By developing

and implementing a preventive maintenance program, the District would likely decrease energy costs significantly and reduce occurrences of emergency maintenance.

Similarly, FHLSD should develop a preventive maintenance plan for the District's food service operations. *Best Financial Management Practices for Food Service* (OPPAGA, 2002) recommends that at least annually, the food service program should inspect and evaluate its operational components. Furthermore, *School Foodservice Management for the 21st Century* (Pannell-Martin, 1999) states that to effectively maintain the condition of equipment and reduce repair costs, a record should be kept on each piece of equipment that tracks service calls, costs of maintenance, and the overall condition of the equipment.

- **A five-year food service plan and forecast:** FHLSD should develop a five-year food service plan which outlines how the District's food service operation will attain its operational objectives as defined by the District-wide strategic plan. *Best Practices in Public Budgeting* (GFOA, 2000) recommends that a government should prepare policies and plans to guide the design of specific programs and services. Service and program policies and plans translate broad goals into strategies for achieving those goals. These policies and plans provide the basis for designing specific programs and services.

Also, FHLSD should develop a five-year food service operations forecast for the purpose of ensuring that the District will maintain a self-sufficient operation. According to budget guidelines outlined in *School Foodservice Management for the 21<sup>st</sup> Century* (Pannell-Martin, 1999), forecasting revenues and expenditures over a five-year period, in addition to yearly food service budgets, is important to long-range planning because it can give management warning of upcoming problems. The five-year food service forecast should govern the financial attainment of specific goals as laid out within the five-year food service plan.

**R2.3 FHLSD should develop performance measures for all areas of District operations. Performance measures should be based on identified best practices or benchmarks and should be consistent with the District-wide strategic plan and five-year forecast. Performance measures should be linked to FHLSD's budgetary actions, and ultimately to its strategic plan and forecast. FHLSD's progress toward meeting each performance measure should be documented, communicated to all stakeholders, and taken into account when determining District funding priorities.**

**Using performance measures, FHLSD should align its distribution of academic and operational expenditures to better support achievement of its mission to educate students. FHLSD could begin to reallocate District expenditures to promote**

**progress toward the achievement of its goals through improving its operational efficiency in facilities and transportation (see the facilities and transportation sections). In addition, expenditures which are outside of the realm of FHLSD's goals and plans should be viewed as opportunities for cost reductions as these areas present the most logical opportunities for cost savings.**

FHLSD has not consistently tracked departmental performance or implemented benchmarks because the District has not had consistent or collaborative leadership in its key administrative positions. There have been department specific efforts to track performance data but these efforts have been to ensure compliance with State requirements rather than for purposes of improving economy and efficiency.

*Best Practices in Public Budgeting* (GFOA, 2002) recommends that a government periodically evaluates the performance of the programs and services it provides. Performance measures, including efficiency and effectiveness measures, should be presented in budget materials, including the operating budget document, and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of previously developed goals and objectives. More formal reviews and documentation of those reviews should be carried out as part of the overall planning, decision-making, and budgeting process.

The GFOA further recommends evaluating and reporting program performance on a routine basis in order to keep stakeholders apprised of actual results compared to expectations. One option is to prepare regular reports of key performance measures, with in-depth evaluations or reviews conducted once every several years. Program performance information should also be available during the budget process. Regardless of whether the program is provided by government employees or contracted out, the reporting and evaluation process should be similar.

The allocation of resources between instructional and support service functions is one of the most important aspects of the budgeting process. In FY 2005-06, FHLSD's cost allocation showed that the District is devoting a disproportionate level of resources toward support functions in comparison to the peer district average. Given the limited resources available at FHLSD, all activities and programs should be evaluated and prioritized. An analysis such as that presented in **Table 2-4** indicates where the FHLSD's Board's and administrators' priorities are placed and illustrates where the opportunity for reductions exists. Consistently using benchmarks, such as the allocation of expenditures, would help FHLSD target areas for improvement.

Performance measures would also provide FHLSD with an effective tool for increasing accountability and ensuring that it is meeting the goals as defined by the District-wide strategic plan and the revenue priorities as represented within the budget and five-year forecast. Performance measures should be based on the best available and most comparable benchmarks in order to create a system of measures that is both efficient and attainable. Furthermore, the District's performance measures should be periodically reviewed and updated in order to ensure that the District is maintaining operations in a manner consistent with the most relevant and accurate benchmark data. Once performance measurement benchmarks have been identified, the District should use them to make adjustments in staffing or reductions in cost in order to attain and maintain peak efficiency.

The development and implementation of a system of performance measures should allow FHLSD to promote positive program changes while at the same time increasing the District's accountability in terms of both internal program goals and community expectations. By focusing on the attainment of performance goals, FHLSD may be better able to determine which programs are providing the most relative value for the District's investment. In addition, FHLSD will be able to determine its performance relative to industry standards and best practices, and the results of these analyses can be communicated to all stakeholders in order to promote a strong support base for the District and its programs.

**R2.4 FHLSD should follow its Board policies and establish a school-community relations program. FHLSD has a number of formal and informal communication methods in use. Without a single communications strategy, FHLSD may be presenting multiple and differing viewpoints. It is important for FHLSD's Board and administrators to maintain individual viewpoints. However, when communicating with the public, FHLSD should present a more unified vision tied to and governed by the District's educational and financial goals. Establishment of an appropriate school-community relations program should allow the District to achieve communications goals as stated in Board Policy, Section K.**

According to the Superintendent, the District has no working school-community relations program. FHLSD historically communicated funding needs through the District's newsletter. However, the newsletter was eliminated due to budget cuts in FY 2005-06. The Assistant Treasurer (Payroll) noted that there is some potential for communication via the FHLSD website and the Superintendent's Advisory Committee. There are no ongoing formal communication forums aside from the Board meetings; however, during the course of the audit, the Board held three public meetings to gain community input on ways to address the fiscal crisis.

The FHLSD Superintendent's Advisory Committee meets once a month. The meeting is open to the public, and, generally, Board members, principals, teachers, non-certified staff, parents, and community members attend. The issues discussed are proposed by the attendees. During the course of the audit, the Advisory Committee frequently discussed FHLSD's financial situation. While information is shared during the Superintendent's Advisory Committee, AOS observed that issues are often discussed in these meetings that have not yet been approved by the Board. This could result in confusion over approved strategies and actions and does not provide a unified vision for the District. Other meetings topics in FY 2005-06 included discussions on transportation, the five-year personnel plan, open enrollment, and public relations.

There are also active parent-teacher organization groups at both of the elementary schools and athletic and band boosters are active at the middle and high school level. These parental support groups allow the students to take advantage of opportunities (field trips, etc.) which otherwise would not be offered.

Board policies include a section dealing solely with school-community relations. Section (KA) School Community Relations Goals states that staff members have a responsibility to promote good school-community relations. The school community relations program is a planned, systematic, and two-way process directed by the Superintendent and based upon the following principles:

- The program may use media sources and other forms of communications available to effectively communicate with the citizens and employees.
- Communications with the public should promote involvement, objective appraisal and support.
- Communications should be internal as well as external and provide factual, objective and realistic data.
- The school communications program should be responsive both to events as they arise and to evaluations of the program.

While FHLSD does have communication opportunities through face-to-face forums, such as the Superintendent's Advisory Committee, Board meetings, and the recently held community forums; the District does not have a school community relations program as outlined by Board policy. A unified school-community relations program would allow all of FHLSD's departments to obtain a clear picture of the issues the community is concerned about while at the same time allowing the District to present a cohesive message to its stakeholders.

**R2.5 FHLSD should publish all pertinent financial documents including budget documents, financial reports, and five-year forecast on the District's website. Financial information published on FHLSD's website should be presented in a user-friendly format and should include the use of charts and graphs. By publishing financial information on its website, FHLSD will be able to better communicate the District's financial position to the community in a clear and understandable manner.**

FHLSD does not include financial information as a part of the District's website. In addition, FHLSD does not publish a comprehensive annual financial report (CAFR) or popular annual financial report.

The GFOA recommends that every government publish its budget document on its website. Furthermore, the GFOA recommends that governments comply with the following guidelines when presenting these documents on websites:

- The electronic budget document should be identical to the printed version of the document (when a printed version is produced).
- The website should prominently inform users whether the budget document presented represents the preliminary budget or the approved budget.
- If a government elects to present the budget documents of prior years, the website should clearly identify these documents as dated information for historical reference only and clearly segregate them from current information. A library or archive section of the website is advisable for this purpose.
- The security of the website should be evaluated to protect it from manipulation by external or unauthorized persons.

According to the GFOA, specific benefits of including the budget document and the CAFR on the government's website include the following:

- *Increased awareness.* Many potential users of the information provided in the budget document and the CAFR are completely unaware of the existence of these important sources of financial data. Presentation on a government's website is a practical means of ensuring that all those with a potential interest in a government's finances are able to profit from the information they contain.
- *Increased usage.* The difficulties inherent in obtaining any published document pose a significant barrier to usage by ordinary citizens. An additional barrier arises when a government must charge for the budget document or the CAFR to recover the cost of

printing or copying. Both barriers are eliminated when the budget document and the CAFR are presented on a government's website.

- *Application of analytical tools.* The availability of the budget document and the CAFR in electronic form makes it easy for users to employ computerized tools to find, extract, and analyze the data contained in these often lengthy documents.
- *Avoidance of disclosure redundancy.* Much information of use to potential purchasers of a government's debt securities is already available in either the budget document or the CAFR. In particular, the statistical section of the CAFR is a rich source of data for investors and analysts. Consequently, the routine presentation of both documents on the government's website may help to avoid redundancy and assist in complying with federally mandated disclosure requirements.
- *Savings.* The length and detail typical of the budget document and the CAFR often make both expensive to print. Electronic publication can help to reduce this cost.

By not publishing financial information on its website, FHLSA is not able to realize the associated benefits listed above. Likewise, community members may not be able to access financial information which could help them better understand the District's financial position and the steps it has taken to address its deficit.

**R2.6 FHLSA should ensure that it develops and maintains clear policies and procedures to govern District operations. Complete and up-to-date policies and procedures ensure that District administration, employees, and other stakeholders have a clear understanding of the District's processes in each of its operational areas. Furthermore, comprehensive policies and procedures serve as a readily available resource for the District's accepted and approved approach to day-to-day operations.**

FHLSA has Board policies in place but these policies have not been consistently updated nor do they contain an adequate level of detail to govern District actions in most areas. By not consistently maintaining its policies and procedures, FHLSA runs the risk of operating in a manner which is inconsistent with the Board's vision or laws and regulations. Also, AOS identified a number of additional policies and procedures which FHLSA has not yet developed but which are considered best practices and industry standards. Policies and procedures which FHLSA should develop, approve, and implement include:

- **A purchasing policies and procedures handbook:** The *Financial Accountability System Resource Guide* (Texas Education Agency, 2004) recommends that every school district have a written manual describing its purchasing policies and

procedures. Board policies and purchasing manual should define and reinforce payment timelines as well as the District's definition of timeliness. The lack of a purchasing handbook may result in the District making purchases that are beyond its budgetary limitations.

- **A comprehensive set of financial policies:** *Best Practices in Public Budgeting* (GFOA, 2000) recommends that a government should develop a comprehensive set of financial policies. Financial policies should be consistent with broad government goals and should be the outcome of sound analysis. Policies also should 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 and the budget. By not developing and adhering to comprehensive set of financial policies, FHLSD runs the risk of a experiencing a low level of accountability over financial operations which can lead to financial difficulties and audit citations (see also **R2.8**).
- **A financial forecasting policy:** A policy on financial forecasting should outline preparation timetables, forecast assumptions and methodology, and the process for updating an existing forecast. In addition, the forecasting policy should outline all participants in the forecasting process and include an outline for how and when those participants should review the forecast for accuracy. *Financial Forecasting in the Budget Preparation Process* (GFOA, 1999) recommends that a forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process. It also should be referenced in the final budget document. FHLSD's policy on financial forecasting should reflect that the forecast should be based on the District's priorities as identified within the District-wide strategic plan.
- **A comprehensive set of budgeting policies:** FHLSD should develop a set of budgeting policies based on the recommended practices contained in the publication *Best Practices in Public Budgeting* (GFOA, 2000). FHLSD's budgeting policies should be designed to formally gauge and address District and community needs; maintain compliance with District financial policies and State requirements; specify budget preparation and adoption procedures and timelines; develop and evaluate financial options; make choices necessary to adopt a budget; monitor, measure, and evaluate performance; and make budget adjustments as needed. The lack of formal budgeting policies may prevent FHLSD from tying budgetary actions to the goals and financial priorities contained in the District-wide strategic plan. Similarly, lax budgetary practices can lead to deficit spending and fiscal instability.
- **An accounting policies and procedures manual:** *Documentation of Accounting Policies and Procedures* (GFOA, 2002) recommends that every government

document its accounting policies and procedures in a manual which delineates the authority and responsibility of all fiscal services employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Furthermore, procedures should be described as they are actually intended to be performed rather than in some idealized form and they should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls. Once the Treasurers' Office has established a policies and procedures manual there should be a formal program implemented to cross-train employees within the office.

- **An ethics policy:** The Ohio Ethics Commission's model ethics policy lists a number of general standards for ethical conduct as well as ethics requirements and penalties associated with compliance failure. A Board approved ethics policy should increase public trust by formally prohibiting conflict of interest or personal gain in making and implementing public decisions.
- **A maintenance and operations department-wide procedures manual:** According to OPPAGA, an efficient district maintenance and operations department has established procedures and staff performance standards to ensure efficient operations. The manual should, at a minimum, address replacement and selection of equipment; purchase of equipment, supplies, and materials; maintenance and operations budget criteria; facilities standards; personnel staffing and hiring policies; and the use of facilities and equipment. Furthermore, the District should ensure that this manual contains procedures for ensuring that the District's facilities are maintained equitably.
- **A food service policies and procedures manual:** The United States Department of Agriculture (USDA) has issued guidance for the implementation of Hazard Analysis and Critical Control Point (HACCP) based food safety programs in schools participating in the National School Lunch Program (NSLP). *HACCP-Based Standard Operating Procedures* (USDA, 2005) recommends that food service departments develop standard operating procedures. A food service policies and procedures manual would help to solidify the roles, responsibilities, and expectations of FHLSD's food service employees. Formalizing specific processes for food service operations will help FHLSD provide more effective and efficient services.
- **A technology equipment donation policy:** According to *Seven Cost-Saving Strategies* (e-School News Online, 2003), key issues to consider when implementing a donation program include compatibility with the existing hardware and network, and the ability to run core instructional programs and Internet access at an acceptable speed. Furthermore, the International Society for Technology in Education (ISTE) publication *Technology Support Index* (2005) recommends that a district should accept equipment only if it meets specific brand, model, performance, system

requirements, and is less than two years old. All equipment donation guidelines should be posted on the District's website.

- **A technology equipment disposal policy:** The *Guide to Computer & Electronics Waste Reduction and Recycling* (Ohio EPA, 2005) recommends that computers and monitors should be considered hazardous unless tested and proven otherwise. Without a formal technology equipment disposal policy FHLSD cannot ensure that it is disposing of potentially hazardous materials in a manner which is compliant with all Ohio EPA guidelines.

The development, approval, and implementation of the above policies would allow FHLSD to have a sound framework upon which to establish District practices of performance measurement, planning, and budgeting. In addition, many of these recommended policies can help to increase efficiency or to strengthen management controls which can lead to reduced expenditures of increased efficiency. Finally, a sound policy base will allow FHLSD to mitigate some of the risk associated with relying too heavily on the discretion of District administrators and staff; decreased risk will ultimately translate into more accurate planning and forecasting as variable elements are addressed.

**R2.7 FHLSD should take the necessary steps to issue Generally Accepted Accounting Principals (GAAP) compliant financial reports in accordance with State law. Completing financial reports under GAAP ensures an accurate and fair presentation of financial statements and increases the perceived integrity of the District's financial reporting.**

FHLSD does not issue its financial reports in accordance with GAAP. FHLSD's AOS financial audit reports have repeatedly cited the District for noncompliance with ORC § 117.38 (see also **R2.8**) which states that each public office shall file a financial report for each fiscal year. Cash-basis entities must file annual reports with AOS within 60 days of the fiscal year end. GAAP-basis entities must file annual reports within 150 days. AOS may prescribe forms by rule or may issue guidelines, or both, for such reports.

OAC § 117-2-03(B) requires a district to file its annual financial report in accordance with GAAP. However, FHLSD prepared its financial statements in accordance with standards established by AOS for governmental entities not required to prepare annual reports in accordance with GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to ORC § 117.38, a district can be fined and/or subjected to various other administrative remedies for its failure to file the required financial report.

AOS recommended that FHLSD take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to GAAP, and that this report be filed with AOS within 150 days of the District's fiscal year-end. In addition, the GFOA recommends that every government maintain an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP.

The Assistant Treasurer (Payroll) noted that it has cost FHLSD less to pay the fines for noncompliance with GAAP than it would to issue GAAP compliant financial reports. As GAAP compliance is a fundamental requisite of financial reporting for school districts in Ohio, the District should work towards implementation of this recommendation and bring the District into compliance with the ORC and OAC. Finally, using GAAP basis financial reporting may provide FHLSD with insight into future financial difficulties at an earlier point in time than under cash-basis reporting.

**R2.8 FHLSD should follow GFOA best practices and establish an audit committee for the purpose of ensuring that the District addresses any outstanding or future financial audit and management letter citations. Effectively addressing all citations and implementing the recommended practices associated with each citation would allow FHLSD to avoid the re-issuance of citations in subsequent financial audits. At the same time, FHLSD may be able to avoid higher fees associated with an increased need for outside financial services to address the District's accounting problems. Furthermore, FHLSD should follow GFOA best practices and establish an internal audit function by assigning these duties to the audit committee. The creation of an internal audit function could allow FHLSD to proactively evaluate internal controls before they become citation issues in the District's financial audits and management letters. Finally, the establishment of an Audit Committee would help FHLSD to maintain consistency in its fiscal management function even if the District experiences administrative turnover (see R2.3).**

FHLSD received citations in its FY 2002-03, FY 2003-04, FY 2004-05, and FY 2005-06 financial audits and management letters. A number of FHLSD's citations have been repeated in multiple years as they were unaddressed or only partially addressed. **Table 2-6** shows the audit report and management letter citations for FY 2002-03 through FY 2005-06. Audit citations issued in multiple years appear shaded in the table.

**Table 2-6: FHLSD Financial Audit Citations**

Noncompliance Citation and Recommendation	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
ORC § 9.24(A) – No state agency or political subdivision shall award a contract for services to a person against whom a finding for recovery has been issued.				X
ORC § 9.38 – Activity advisors for the Class of 2008 and FFA should institute policies that ensure receipts collected are deposited with the Treasurer by the next business day.		X		
ORC § 117.38 – File annual financial report in accordance with GAAP and, if on a cash basis, within 60 days of the end of the fiscal year.	X	X	X	X
ORC § 135.22 – The treasurer should either complete the annual continuing education program or provide an annual notice of exemption to the Auditor of State.			X	
ORC § 149.351(A) – Requires all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of except as provided by the ORC.				X
ORC § 3313.291 – Revise Board petty cash policy.	X			
ORC § 3315.062(B) – Create student activity programs fund			X	
ORC § 3315.17-18 - Establish the required reserve accounts within the General Fund.		X		
ORC § 5705.04 – Follow the apportionment sheet provided by the County Auditor to post any advances received.		X		
ORC § 5705.10(H) – Requires that money paid into any fund shall be used only for the purposes of which such fund is established.				X
ORC § 5705.13(C) – Formally establish Capital Projects Fund.	X			
ORC § 5705.14-16 – Receive Board approval for inter-fund transfers.	X			
ORC § 5705.36 – Obtain a reduced amended certificate when estimated receipts exceed actual receipts.		X		X
ORC § 5705.38(B) – Provides that a board of education shall pass its annual appropriation measure by the first day of October.				X
ORC § 5705.39 – Review budget to ensure expenditures do not exceed budgeted amounts, appropriations, or estimated resources.	X	X	X	X
ORC § 5705.391(A) – Requires school districts to prepare a five-year projection of revenues and expenditures as part of the spending plans.				X
ORC § 5705.40 – Provides that an appropriations measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.				X
ORC § 5705.41(B) – Monitor expenditures relative to appropriations and make additional appropriations by resolution as needed.	X	X	X	X
ORC § 5705.41(D) – Pass a Board resolution indicating the maximum amount for which a blanket purchase order can be opened.		X		X
ORC § 5705.412(B) – Requires the Treasurer, Superintendent, and Board President to certify that adequate revenues will be available to maintain all personnel and programs the current FY and an equal number of days in the succeeding FY.				X

<b>Noncompliance Citation and Recommendation</b>	<b>FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>
OAC § 117-2-02(C)(1) - Amended certificates of estimated resources and supplemental appropriations approved by the Board of Education should be posted to the accounting system in their entirety.			X	
OAC § 117-2-03(B) – Filing financial reports in accordance with GAAP	X	X	X	X
OAC § 3301-92-04(F) - Update the five year projection between April 1 and May 31 of each fiscal year.		X		
7 C.F.R. § 210.4 - Establish an interest allocation plan and allocate investment earnings to the Food Service Fund.			X	X
17 C.F.R § 240.15c2-12 – Ensure the annual financial information and operating data, audited financial statements, and any material event notices or notices of failure to provide the required information be filed with all repositories and the State SID by December 1 <sup>st</sup> of the subsequent fiscal year.		X	X	
OMB Circular A-87, Attachment A, paragraph C.1 – To be allowable under Federal awards, costs must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit and must represent charges for actual costs, not budgeted or projected amounts.				X
OMB Circular A-133 §_.400(d) – As a pass through agency, issue a management decision on OSU audit findings within six months after receipt of the sub-recipient’s audit report and ensure that the subrecipient takes appropriate and timely corrective action.		X		
AOS Technical Bulletin 97-003 – Receive Board approval for inter-fund cash advances.	X			
ODE Federal Fiscal Report Procedures #1 – States that a final expenditure report is to be submitted for each project immediately after all financial operations have been liquidated.				X
<b>Additional Recommendations</b>	<b>12</b>	<b>10</b>	<b>9</b>	<b>10</b>
<b>Total Number of Citations and Recommendations</b>	<b>19</b>	<b>22</b>	<b>17</b>	<b>25</b>
<b>Federal Questioned Costs</b>	<b>\$91,519.22</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Findings for Recovery</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,395.50</b>	<b>\$453.56</b>

Source: AOS Financial Audits and Management Letters for FHLSLSD for FY 2002-03 through FY 2005-06

FHLSLSD’s Board has a Finance Committee, but a review of the CY 2006 Board meeting minutes did not reveal any evidence of the Finance Committee reporting to the Board. The Finance Committee has not been active in any follow-up to prior financial audits. FHLSLSD does not have an audit committee specifically responsible for addressing financial audit issues. Furthermore, FHLSLSD does not have an internal audit position nor does the District delegate the responsibility for testing internal controls to any of its employees.

As shown in **Table 2-6**, FHLSLSD has historically had problems monitoring expenditures relative to available resources. This type of citation is indicative of overspending and lax controls over financial resources. Furthermore, it indicates that the Board and Treasurer are not sufficiently monitoring expenditures and acting upon spending requests by either

increasing appropriations or denying the expenditure. These types of activities generally lead to financial difficulties, as is the case in FHLSD.

*Recommended Practice: Audit Committee* (GFOA, 2006) advises that:

- The governing body of every state and local government should establish an audit committee. The establishing resolution should prescribe the scope of the committee's responsibilities, as well as its structure, processes, and membership requirements. The committee should periodically review such documentation, no less than once every five years, to assess its continued adequacy. The audit committee should be adequately funded and should be authorized to engage the services of financial experts, legal counsel, and other appropriate specialist, as necessary to fulfill its responsibilities.
- It is the responsibility of the audit committee to provide independent review and oversight of a government's financial reporting processes, internal controls, and independent auditors. The audit committee should present annually to the full governing body a written report of how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public and be accompanied by the audit committee's establishing documentation.
- The audit committee should establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters. Such procedures should specifically provide for the confidential, anonymous submission by employees of the government of concerns regarding questionable accounting or auditing matters.

An audit committee's effectiveness is dependent solely on the knowledge, skills, and abilities of its members. All audit committee members should possess or obtain a basic understanding of governmental financial reporting and auditing. Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism.

The GFOA recommends that all members of the audit committee should be members of the governing body. Further, no member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee. In contrast, the *Treadway Report* (National Commission on Fraudulent Financial Reporting, 1985) recommended that the audit committee consist of members who are independent of the organization. Given FHLSD's location and population demographic, the District would be better suited to blend the two member composition recommendations. If FHLSD were able to convene an audit committee consisting of non-management District

employees in addition to local community and business leaders, the District would have a better chance of drawing on a pre-existing knowledge base useful to an audit committee.

The GFOA also notes that by effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.

Without a formal audit committee responsible for ensuring citations are addressed and remedies implemented, FHLSD is not able to effectively address issues that reoccur in its financial management practices. In addition, FHLSD's lack of comprehensive follow-up on citations has created weaknesses which have led to negative financial consequences for the District.

**R2.9 FHLSD should increase the accountability of its payroll approval process by requiring the Treasurer to review and sign off on all approved payroll records. Secondary review of the approved payroll records would provide greater accountability and accuracy and would further ensure that FHLSD maintains strong and appropriate internal controls.**

**In addition, FHLSD should reconcile historical payroll records in order to verify the accuracy of the overall system. FHLSD may be able to increase the accountability and accuracy of its payroll function through increased supervisory oversight and historical reconciliations.**

**During the course of the audit, this recommendation was partially implemented as the Treasurer began to review and sign off on all approved payroll records.**

FHLSD's payroll process is an exception-based biweekly system. There are no automated time and attendance controls in place at FHLSD. Certificated staff members do not have to clock in or out or keep timesheets. Classified staff members are required to keep timesheets which they sign to attest that the timesheets are correct and truthful. However, these time sheets do not consistently show start and end times (see **transportation** section). These timesheets are submitted to the building level secretary and to the principal or department administrator. After the initial submission, payroll records are submitted to the Treasurers' Office and are approved by the Assistant Treasurer (Payroll). After being approved, payroll records are submitted for pay and are not reviewed thereafter.

According to the Assistant Treasurer (Payroll), there is adequate time for review and approval. However, this was a problem before FHLSD switched to direct deposit. The

Assistant Treasurer (Payroll) has also implemented some changes in the review process to eliminate manual calculations and instead use Excel spreadsheets.

Another change which has streamlined the payroll process is FHLSD's switch to uniform pay periods. In the past, FHLSD would pay four supplemental payments per year as required in the negotiated agreement. However, this was renegotiated so that the supplemental payments are included in the pay periods in which the payments fall, rather than being paid by separate check. There also have been special runs due to the availability of certain stipend grants. If FHLSD receives a grant which provides a stipend for a particular group of employees, these will be distributed as part of a separate run.

FHLSD has one single employee in the Treasurers' Department who is responsible for receiving, reviewing, approving, and submitting all payroll information. Leaving one person responsible for payroll approval could create a potential for negative consequences through weak internal controls.

According to the University of California, San Diego (UCSD), when payroll entries are authorized, reviewed, and checked to ensure that they follow policy, accountability principles are being followed. UCSD identifies several best practices including:

- Periodically reviewing and updating signature authorizations;
- Obtaining pre-approval for changes made to timekeeping records;
- Reviewing attendance records for accuracy and compliance to policy; and
- Reconciling ledgers monthly for accuracy of recorded transactions.

UCSD recommends that entities establish a separation of payroll duties. A major step that can be taken to ensure proper payroll processing is to have different people performing key payroll duties. Employees should not process or approve actions affecting their own pay. Furthermore, UCSD identifies a failure to establish a separation of payroll duties as having the potential consequences of a number of internal controls issues including:

- Unauthorized payments made to non-existent employees;
- Unauthorized payroll transactions processed;
- Improper changes made to payroll files and personnel documents; and
- Misappropriation of funds.

FHLSD's payroll process allows for supervisory review and subsequent signature authorization. The payroll process also allows FHLSD to implement its policy of pre-approval for all leave use. In addition, the payroll process allows for review of accuracy and policy compliance at multiple levels including department administration and within the Treasurer's Department. However, FHLSD does not have a process in place for a second review of payroll records. Without a second review of previously approved

payroll, preferably at the level of the Treasurer, inaccurate entries may be made to payroll, personnel, and financial records and the District is more susceptible to fraud and theft.

**R2.10 FHLSD should require all employees to participate in the direct deposit program. Requiring 100 percent direct deposit participation will allow FHLSD to eliminate inefficiencies associated with the traditional paycheck process. In addition, direct deposit offers the increased benefit that paychecks will be deposited automatically with no effort on the part of the employees. Automatic deposit also eliminates the need to produce duplicate checks to replace lost or destroyed paychecks.**

FHLSD allows employees to opt into a payroll direct deposit program. While not all employees at FHLSD are using direct deposit, about 85 percent of employees currently participate, up from about 50 percent three years ago. Based on the Assistant Treasurer's (Payroll) estimate of 85 percent direct deposit participation, there are approximately 166 employees who are currently participating; leaving 29 who are not enrolled in the program. There are no contract clauses preventing FHLSD from implementing direct deposit for all its employees. The Assistant Treasurer (Payroll) indicated that FHLSD is looking at increasing the number of employees using direct deposit as a part of the District's cost reduction efforts.

*Payroll Best Practices* (Bragg, 2005) notes that issuing payments directly to employee accounts can produce two positive benefits. First, it reduces paperwork and time associated with issuing paychecks. Second, direct deposit puts money into the employees' bank account immediately on payday, so that those employees who are off-site on payday do not worry about how they will receive their pay. Also, according to the National Automated Clearing House Association, direct deposit savings can be as much as \$1.25 per payment over paper checks.

While FHLSD has been able to increase the percentage of its employees who are using the direct deposit system, there is still some inefficiency associated with printing and distributing checks for the non-participating employees. If FHLSD were able to attain 100 percent participation, the District could expect to see increased efficiency and additional cost savings over the current payroll process.

*Financial Implication:* Based on 29 employees, 26 pay-periods per year, and savings of \$1.25 per paycheck; total savings for FY 2007-08 would be approximately \$900. Total savings over the forecast period would be approximately \$4,000.

**R2.11 FHLSD should implement the performance audit recommendations contained in this and other report sections. Implementation of the performance audit recommendations would offset projected deficits and allow the District to maintain**

**a positive year-end balance through FY 2010-11. Enhancing general operating revenue and/or identifying additional savings beyond those included in this performance audit would allow FHLSD to make less severe reductions in staff.**

In order to alleviate the projected deficit, FHLSD must make substantial reductions in its staff and program operations. Reductions of this magnitude will likely have a negative effect on student performance and impact the District' ability to provide some specialized programs to its students. Many reductions take staffing to levels below those of the peer district average. In order to hold reductions to the peer district average, FHLSD would need an additional infusion of local revenue as reductions to the peer average would leave a deficit of about \$3.3 million in FY 2010-11. In Athens County, one mill generates approximately \$100,000 in revenue, with the amount decreasing over the forecast period because any additional millage generated is not subject to the "hold harmless" clause in HB 66.

By implementing the performance audit recommendations, FHLSD can maintain a positive fund balance through FY 2010-11. **Table 2-7** demonstrates the effect on the five-year forecast and ending fund balances, assuming that all recommendations contained in this audit are implemented. Full implementation of performance audit recommendations is projected to result in a positive fund balance in FY 2010-11 of approximately \$365,000.

**Table 2-7: Revised Five-year Forecast (in \$000's) <sup>1</sup>**

	Actual			Forecasted				
	FY 2003-04	FY 2004-05	FY 2006-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Revenue:</b>								
General Property Tax (Real Estate)	\$1,395	\$1,411	\$1,678	\$1,772	\$1,806	\$2,038	\$2,233	\$2,277
Tangible Personal Tax	\$522	\$579	\$543	\$508	\$492	\$475	\$471	\$471
Unrestricted Grants-in-Aid	\$7,114	\$7,031	\$7,209	\$7,078	\$7,085	\$7,088	\$7,092	\$7,096
Restricted Grants-in Aid	\$499	\$507	\$590	\$671	\$667	\$667	\$667	\$667
Property Tax Allocation	\$311	\$215	\$127	\$161	\$183	\$232	\$302	\$319
All Other Revenues	\$262	\$675	\$864	\$724	\$733	\$742	\$751	\$760
<b>Total Revenues</b>	<b>\$10,103</b>	<b>\$10,418</b>	<b>\$11,011</b>	<b>\$10,913</b>	<b>\$10,965</b>	<b>\$11,244</b>	<b>\$11,517</b>	<b>\$11,589</b>
<b>Other Financing Sources:</b>								
Proceeds from Sale of Notes	\$0	\$0	\$29	\$0	\$0	\$0	\$0	\$0
Operating Transfers-In	\$0	\$321	\$147	\$0	\$0	\$0	\$0	\$0
Advances-In	\$381	\$83	\$75	\$0	\$0	\$0	\$0	\$0
All Other Financial Sources	\$1	\$4	\$1	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$382	\$407	\$252	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues and Other Financing Sources</b>	<b>\$10,486</b>	<b>\$10,825</b>	<b>\$11,263</b>	<b>\$10,913</b>	<b>\$10,965</b>	<b>\$11,244</b>	<b>\$11,517</b>	<b>\$11,589</b>
<b>Expenditures:</b>								
Personal Services	\$5,901	\$5,914	\$5,842	\$5,762	\$5,987	\$6,221	\$6,463	\$6,715
Employees' Retirement/Insurance Benefits	\$2,525	\$2,550	\$2,815	\$2,860	\$3,168	\$3,481	\$3,843	\$4,263
Purchased Services	\$1,163	\$1,522	\$1,957	\$2,102	\$2,294	\$2,503	\$2,729	\$2,973
Supplies and Materials	\$474	\$438	\$382	\$434	\$445	\$456	\$468	\$480
Capital Outlay	\$85	\$83	\$84	\$43	\$44	\$44	\$45	\$46
<b>Debt Service:</b>								
Principal-Other	\$0	\$0	\$0	\$22	\$22	\$22	\$22	\$22
Other Objects	\$155	\$134	\$294	\$300	\$305	\$312	\$318	\$324
Total Expenditures	<b>\$10,303</b>	<b>\$10,641</b>	<b>\$11,373</b>	<b>\$11,522</b>	<b>\$12,265</b>	<b>\$13,039</b>	<b>\$13,888</b>	<b>\$14,823</b>
<b>Other Financing Uses:</b>								
Operational Transfers-Out <sup>2</sup>	\$2	\$386	\$151	\$0	\$0	\$0	\$0	\$0
Advances-Out	\$317	\$74	\$1	\$0	\$0	\$0	\$0	\$0
All Other Financing Uses	\$48	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$367	\$460	\$152	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>	<b>\$10,670</b>	<b>\$11,101</b>	<b>\$11,525</b>	<b>\$11,522</b>	<b>\$12,264</b>	<b>\$13,039</b>	<b>\$13,887</b>	<b>\$14,823</b>
Results of FHLSD Actions	NA	NA	NA	\$0	\$560	\$574	\$588	\$603
Performance Audit Recommendations	NA	NA	NA	\$0	\$1,742	\$1,793	\$1,860	\$1,933
<b>Result of Operations (Net)</b>	<b>(\$185)</b>	<b>(\$276)</b>	<b>(\$262)</b>	<b>(\$609)</b>	<b>\$1,003</b>	<b>\$572</b>	<b>\$78</b>	<b>(\$698)</b>
Beginning Cash Balance	\$848	\$664	\$388	\$126	(\$483)	\$520	\$1,093	\$1,171
Ending Cash Balance	\$664	\$388	\$126	(\$483)	\$520	\$1,093	\$1,171	\$473
Revised Capital Improvements	\$0	\$0	\$0	\$0	\$39	\$39	\$39	\$39
Budget Reserve	\$0	\$229	\$404	\$0	\$0	\$0	\$0	\$0
Revised Bus Services	\$1	\$37	\$20	\$40	\$70	\$70	\$70	\$70
Revised Total Reservations <sup>3</sup>	\$1	\$267	\$424	\$40	\$109	\$109	\$109	\$109
<b>Fund Balance June 30 for Certification of Appropriations</b>	<b>\$663</b>	<b>\$122</b>	<b>(\$298)</b>	<b>(\$523)</b>	<b>\$412</b>	<b>\$984</b>	<b>\$1,063</b>	<b>\$365</b>

Source: FHLSD and AOS

<sup>1</sup> Totals may vary due to rounding.<sup>2</sup> Operational transfers-out has been zeroed for FY 2007-08 through FY 2010-11. While recommendations in the food service section will only directly impact the Food Service Fund, the residual effect of these recommendations will be to create a self-supporting fund which requires no operational transfers from the General Fund.<sup>3</sup> Total reservations include added capital improvement and revised bus replacement expenditures as outlined in **Table 2-9**. FHLSD has forecasted bus replacement expenditures of \$20,000 in FY 2008-09 and \$40,000 in FY 2009-10. This line item has been adjusted to reflect AOS recommended funding levels.

**Table 2-8** summarizes the performance audit recommendations reflected in the revised five-year forecast. Recommendations are divided into two categories, those requiring negotiation and those not subject to negotiation. With the implementation of these recommendations, it is projected that FHLSD could maintain a positive fund balance through FY 2010-11.

**Table 2-8: Summary of Performance Audit Recommendations<sup>1</sup>**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Recommendations Not Subject to Negotiations</b>				
<b>R2.10</b> Require all employees to participate in direct deposit.	\$900	\$900	\$900	\$900
<b>R3.1</b> Reduce eight regular education teaching positions.	\$311,000	\$328,000	\$347,000	\$368,000
<b>R3.2</b> Reduce three ESP positions.	\$187,000	\$197,000	\$209,000	\$221,000
<b>R3.3</b> Reduce three central administration positions.	\$192,000	\$202,000	\$214,000	\$227,000
<b>R3.4</b> Reduce four non-certificated support positions including: one library staff position and three teaching aides.	\$93,000	\$98,000	\$104,000	\$110,000
<b>R4.1</b> Reconfigure building utilization to a single campus.	\$470,000	\$470,000	\$470,000	\$470,000
<b>R4.5</b> Establish a formal energy conservation policy.	\$32,000	\$35,000	\$38,000	\$41,000
<b>R5.2</b> Increase bus utilization.	\$108,000	\$108,000	\$108,000	\$108,000
<b>R5.5</b> Purchase fuel from ODAS or other consortium.	\$5,500	\$6,000	\$6,500	\$7,000
<b>R5.6</b> Implement and enforce a "no idle" policy.	\$15,000	\$16,000	\$17,000	\$19,000
<b>Subtotal Not Subject to Negotiations</b>	<b>\$1,414,400</b>	<b>\$1,460,900</b>	<b>\$1,514,400</b>	<b>\$1,571,900</b>
<b>Recommendations Subject to Negotiations</b>				
<b>R3.7</b> Increase employee contributions to 8.9 for single and 13.9 percent for family	\$83,500	\$85,000	\$95,000	\$106,500
<b>R3.8</b> Reduce employer VEBA contributions from \$1,000 to \$500 per employee	\$84,500	\$84,500	\$84,500	\$84,500
<b>R3.9</b> Reduce the maximum sick leave days accrued for the certificated staff, and reduce the average annual sick leave taken for certificated employees	\$24,000	\$24,000	\$24,000	\$24,000
<b>R5.4</b> Decrease bus driver minimum hours	\$136,000	\$139,000	\$142,500	\$146,000
<b>Subtotal Subject to Negotiations</b>	<b>\$328,000</b>	<b>\$332,500</b>	<b>\$346,000</b>	<b>\$361,000</b>
<b>Total Cost Savings from Performance Audit Recommendations</b>	<b>\$1,742,400</b>	<b>\$1,793,400</b>	<b>\$1,860,400</b>	<b>\$1,932,900</b>

**Source:** AOS Performance Audit Recommendations

<sup>1</sup> Totals may vary due to rounding.

**Note:** Recommendations have been adjusted, when appropriate, using the District's forecast assumptions to show inflationary change for each year beginning with FY 2007-08.

**Table 2-9** summarizes the implementation costs associated with the recommendations contained in the performance audit. Each cost estimate is dependent on FHLSD's decision to implement the associated recommendation and the timing of the implementations.

**Table 2-9: Implementation Costs**

	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
<b>R5.7</b> Replace two buses annually	\$140,000	\$140,000	\$140,000	\$140,000
<b>R7.3</b> Implement computer replacement cycle	\$77,000	\$77,000	\$77,000	\$77,000
<b>Total Implementation Costs</b>	<b>\$217,000</b>	<b>\$217,000</b>	<b>\$217,000</b>	<b>\$217,000</b>

**Source:** AOS Performance Audit Recommendations

**Note:** Implementation costs can be funded out of FHLSLSD's PI Fund as these are capital expenditures. The AOS recovery plan (see **Table 2-7**) assumes that 50 percent of these costs will be allocated each to the PI Fund and the General Fund.



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# Human Resources

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## Background

This section focuses on the human resource (HR) operations of Federal Hocking Local School District (FHLSD or the District). **Appendix 1-A** provides a summary of the audit objectives for the human resources section. The District's operations have been evaluated against best practices and operational standards from several sources including the Ohio Administrative Code (OAC) and Ohio Revised Code (ORC), the Ohio Department of Education (ODE), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the Kaiser Family Foundation Annual Survey (Kaiser), the State Employment Relations Board (SERB), the Ohio Education Association (OEA), the Ohio School Boards Association (OSBA), the National School Boards Association (NSBA), and peer school districts.<sup>1</sup> The Auditor of State (AOS) also administered two surveys: an employee survey with questions on HR, transportation, facilities, and technology; and a survey of FHLSD Board of Education (Board) members. HR and Board survey questions are illustrated throughout the report, and can be found in **Appendix 3-A** at the end of this section.

### *Organizational Structure and Function*

FHLSD does not have a dedicated HR department. The Superintendent's Office and Treasurer's Office perform the majority of HR functions. The Superintendent's Office consists of the Superintendent and the Secretary to the Superintendent. This Office's HR responsibilities include, but are not limited to, making staffing recommendations, communicating personnel matters to employees, providing and evaluating staff in-service education, maintaining personnel files, tracking teacher certifications, and directing employee contract negotiations. Building principals manage HR responsibilities at each school site, which include evaluating staff, maintaining personnel records, and planning professional development activities for in-service days.

FHLSD's Treasurer's Office processes payroll, maintains leave records, establishes and maintains salary schedules, administers the District's insurance program, types certificated and classified contracts, and inputs and maintains EMIS data. The District uses State software provided through the Southeast Ohio Voluntary Education Collaborative (SEOVEC) to track HR information, such as personnel and benefits, and the system is adequate to meet the District's HR related technology needs.

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<sup>1</sup> See the **executive summary** for a description of the 10 peer district average used as a benchmark throughout this report.

The District also has a Local Professional Development Committee (LPDC) responsible for reviewing and approving certificated staff personal development plans for course work, tracking continuing education units, and informing District staff of certification requirements. The Superintendent's Secretary tracks expirations and renewals and informs the LPDC members of when certifications expire. LPDC members in each of the schools contact the teachers regarding the need to obtain updated certifications. There is about \$10,000 in the LPDC budget for certification renewals, and this is divided equally among teachers. In addition, classified supervisors and head staff coordinate professional development for custodians, food service workers, and bus drivers. Certificated staff professional development opportunities can include class sessions funded by Title I, a mentoring program, in-service days, and curriculum training. The Director of Federal Programs coordinates training for teachers and aides as required by Title I program regulations.<sup>2</sup>

FHLSD has written Board of Education policies available on the District's web site describing the Board's roles and responsibilities. The policies address a variety of issues including the Board's powers and duties and procedures for communication between Board members and District staff. In addition the policies describe the District's process for addressing complaints from the public. The Board provides annual evaluations of the Superintendent and Treasurer, as outlined in District policies.

### *Staffing*

The District developed a multi-year staffing plan in FY 2002-03 and updated it in FY 2005-06. In FY 2005-06, FHLSD's implemented reductions in force (RIFs) of six full-time equivalent (FTE) employees, which consisted of four certificated positions (three teachers and one counselor), and two classified positions (one cook and one bus driver). In FY 2006-07, the District further reduced staff by 4 FTE teachers<sup>3</sup> bringing the total number of employees to 190 FTEs. The District's 190 FTEs equates to 157.32 FTEs per 1,000 students (see **Table 3-1**). At its February 2007 meeting, the Board approved reductions that will go into effect for the next school year (FY 2007-08). These staffing reductions will come from eliminating currently vacant positions from the table of organization, retirements, and RIFs. Staffing reductions planned for FY 2007-08 include 11 certificated positions (9.5 FTE teachers, 0.5 FTE library aid and 1.0 FTE counselor) and 3 classified positions (1 bus driver and 2 cooks).

**Table 3-1** shows staffing data presented as FTEs per 1,000 students, as a percentage of total FTEs, and as the FTE variance from the peer average. The table includes all EMIS staffing categories, but only shows position classifications for those categories in which FHLSD exceeded the peer district average. Staffing categories include administrators, educational staff, professional staff, technical staff, office/clerical staff, crafts and trades, custodians and

<sup>2</sup> FHLSD Title I training topics have included conflict resolution and curriculum mapping.

<sup>3</sup> Staff reductions in FY 2006-07 resulted from a combination of retirements, RIFs, and resignations. The District also reduced, through attrition, one part-time detention monitor who was paid out of a supplemental fund.

groundskeepers, bus drivers, and food service workers. FHLSD's FTE per 1,000 students is based on FY 2006-07 staffing levels to show the most up-to-date conditions at the District; however, the peer average staffing is based on FY 2005-06, the last year for which comprehensive data was available.

**Table 3-1: FTE Staffing Levels for FY 2006-07**

	FTE Per 1,000 Students	Peer Average FTE per 1,000 Students	FHLSD Percent of Total FTEs	Peer Average Percent of Total FTE	FTE per 1,000 Students Variance	Percent of Total FTE Variance
<b>ADM</b>	<b>1,238</b>	<b>1,489</b>	--	--	--	--
<b>Administrators:</b>	<b>8.89</b>	<b>6.11</b>	<b>5.5%</b>	<b>4.9%</b>	<b>2.78</b>	<b>0.6%</b>
Central Administrators	5.66	2.88	3.5%	2.3%	2.78	1.2%
<b>Educational Staff: <sup>1</sup></b>	<b>89.68</b>	<b>75.28</b>	<b>57.0%</b>	<b>60.1%</b>	<b>14.40</b>	<b>(3.1%)</b>
Curriculum Specialist	0.81	0.09	0.5%	<b>0.1%</b>	<b>0.72</b>	0.4%
Remedial Specialist	10.10	3.30	6.3%	<b>2.5%</b>	<b>6.80</b>	3.8%
Regular Teachers	52.92	49.62	33.6%	<b>39.7%</b>	<b>3.30</b>	(6.1%)
Vocational Teachers	3.23	2.49	2.0%	<b>2.0%</b>	<b>0.74</b>	0.0%
ESP Teachers	7.27	4.90	4.5%	<b>3.8%</b>	<b>2.37</b>	0.7%
Special Education Teachers	12.12	9.07	7.5%	<b>7.3%</b>	<b>3.05</b>	0.2%
<b>Professional Staff: <sup>2</sup></b>	<b>2.20</b>	<b>1.25</b>	<b>1.4%</b>	<b>3.5%</b>	<b>0.95</b>	<b>0.4%</b>
Psychologists	0.81	0.16	0.5%	0.1%	0.65	0.4%
Speech & Language Therapists	1.39	0.52	0.9%	0.4%	0.87	0.5%
<b>Technical Staff:</b>	<b>3.23</b>	<b>4.54</b>	<b>2.0%</b>	<b>3.5%</b>	<b>(1.31)</b>	<b>(1.5%)</b>
<b>Office / Clerical Staff:</b>	<b>17.77</b>	<b>10.68</b>	<b>11.1%</b>	<b>8.6%</b>	<b>7.09</b>	<b>2.5%</b>
Teaching Aide	12.12	3.45	7.5%	<b>2.8%</b>	8.67	<b>4.7%</b>
<b>Crafts and Trades</b>	<b>2.42</b>	<b>2.36</b>	<b>1.5%</b>	<b>1.9%</b>	<b>0.06</b>	<b>(0.4%)</b>
<b>Custodians / Groundskeepers</b>	<b>6.46</b>	<b>6.12</b>	<b>4.0%</b>	<b>4.9%</b>	<b>0.34</b>	<b>(0.9%)</b>
<b>Bus Drivers</b>	<b>19.39</b>	<b>10.16</b>	<b>12.1%</b>	<b>8.2%</b>	<b>9.23</b>	<b>4.0%</b>
<b>Food Service Workers</b>	<b>7.27</b>	<b>7.71</b>	<b>4.5%</b>	<b>6.1%</b>	<b>(0.44)</b>	<b>(1.6%)</b>
<b>Total FTE Reported</b>	<b>157.32</b>	<b>125.32</b>	<b>100%</b>	<b>100%</b>	<b>32.00</b>	-

Source: FY 2005-06 March EMIS Report for FHLSD and peer districts

<sup>1</sup> In the educational staff category, the **human resources section** does not include recommendations for curriculum specialist, remedial specialist, and vocational teachers. The District only employs 1 FTE curriculum specialist, which appears to be an adequate and sufficient staffing level based on the size of the District. The District generally pays remedial specialists through grants so no assessments were completed for this area as it would not impact the General Fund. The District employs 4 FTE vocational teachers including 2 positions for the District's agricultural program, 1 career technical position and 1 independent living position. The District has a high percentage of at-risk students which are served by the vocational program, so no recommendations were made in this area.

<sup>2</sup> In the professional staff category, the District employs 2.72 FTEs (1 FTE psychologist and 1.72 speech and language therapists) which was not determined to be significantly high by AOS. Reducing staff in these position classifications would result in the District having lower staff per student ratios than the peer average.

As illustrated in **Table 3-1**, FHLSD's overall FY 2006-07 staffing per 1,000 students of 157.32 FTEs was 32 (25.5 percent) higher than the peer district average of 125.32. FHLSD was higher than the peer average for administrators, educational staff, professional staff, office/clerical staff, crafts and trades, and custodians/grounds-keepers. Staffing recommendations in the HR section include regular education (see **R3.1**), educational service personnel (ESP) teachers (see **R3.2**), central administrators (see **R3.3**), office/clerical (teaching aides and library aide) (see **R3.4**), and special education (see **R3.5**). For an assessment of staffing for the crafts and trades and custodians/groundskeepers categories, and the bus drivers' category, see the **facilities** and **transportation** sections respectively.

### *Collective Bargaining Agreements*

FHLSD certificated and classified personnel are covered under the following collective bargaining agreements:

- **Master Agreement between the Federal Hocking Teachers' Association and the Federal Hocking Board of Education (the certificated contract):** The certificated contract at FHLSD is effective between August 1, 2005, and July 31, 2008. This agreement covers classroom teachers, guidance counselors, librarians, media and program specialists, school nurses, coordinators, department heads, athletic directors, visiting teachers, and tutors.
- **Agreement by and between the Federal Hocking Board of Education and the Ohio Association of Public School Employees (AFSCME/AFL-CIO) Local 1292 (the classified contract):** The classified contract is effective between July 1, 2006, and June 30, 2009. FHLSD's classified agreement covers bus drivers, food service workers, custodians, cooks, secretaries, maintenance assistants, aides, and mechanics.

FHLSD's collective bargaining process procedures are outlined in its Board policy and appear adequate to meet the District's needs, based on a review of the policy and reported positive relations with bargaining units. Members of the certified negotiating team include the Superintendent, Treasurer, and two Board members. Members of the classified negotiating team include the Superintendent, Treasurer, two Board members, the Maintenance Supervisor, and the Transportation Supervisor. The District's chief negotiator is a representative from the Ohio School Board Association.

Contractual and employment issues greatly affect the operating budget of a school district. As such, the certificated and classified contracts of FHLSD were compared to the Ohio Revised Code (ORC) minimums for significant variances. Additionally, FHLSD sick leave usage was compared to the Ohio Department of Administrative Services (DAS) standards; and the District's sick leave policies were compared to best practices. Collective bargaining agreement tables for the certificated contract and classified contract (see **Appendix 3-B**) display variances identified

in key areas. It should be noted that the implementation of any recommendations resulting from the bargaining agreement assessment would require negotiations between the respective bargaining unit and the District (see **R3.7, R3.8, and R3.9**).

The District's salary schedule, substitution rates, and supplemental salary expenses are in line with peer district averages. FHLSD's salaries are, on average, about 11.4 percent below the peer district average. FHLSD's reported salaries are comparable to or below the peer average in all categories with the exception of teaching aides, where FHLSD is 14.8 percent higher than the peer average. The District uses the same substitute rate (\$60 per day) for teachers as the rate used by the Athens-Meigs Educational Service Center (ESC). Also, FHLSD's extracurricular cost per pupil is approximately \$75, which is \$227 lower than the peer average of \$302. Finally, the District had offered an early retirement incentive program in the past; however, the program was not included in the District's current bargaining agreements.

In addition, FHLSD's certificated contract includes negotiated wage increases of 2.5 percent in FY 2005-06, 2.3 percent in FY 2006-07, and 2.5 percent in FY 2007-08. The classified contract includes negotiated wage increases of 2.3 percent in FY 2006-07 and 2.5 percent in FY 2007-08.<sup>4</sup> Based on trends identified in other school districts, the negotiated increases are comparable to other Ohio school districts. Also, step increases included in the negotiated agreement average 4.75 percent. While this is similar to rates identified in other districts, the reader should be aware that personnel on the step schedule may, in some years, receive salary increases of over 8 percent.

### *Benefits*

The District participates in the Athens County School Employee Health and Welfare Benefits (the Consortium) to obtain health insurance. Other members of the Consortium include Athens-Meigs ESC, Tri-County Career Center, Nelsonville-York City School District, Trimble Local School District, Alexander Local School District, and the Southeast Ohio Regional Resource Center. The Superintendent and Treasurer, along with representatives from the other members, participate on a Consortium committee that evaluates health insurance plans.

The Consortium offers two health insurance options, a Preferred Provider Organization (PPO) and a Voluntary Employee Benefits Account (VEBA), which have differing premium rates and health insurance coverage. FHLSD has elected to use the VEBA option, which offers the lowest cost premium option for members (see **R3.7**). The VEBA option is a type of health reimbursement arrangement (HRA) which is governed by Internal Revenue Service (501)(c)(9) regulations. HRAs (also known as health reimbursement accounts or personal care accounts) are a type of health insurance plan that reimburses employees for qualified medical expenses. A HRA usually provides first-dollar medical coverage until funds are exhausted. Under the VEBA

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<sup>4</sup> After 2007-08, the contract has a clause to reopen for salary negotiations.

plan, FHLSD makes an annual contribution of \$1,000 to an account trust for each employee. Employees can use these VEBA funds to pay for out-of-pocket medical/hospital expenses, health insurance deductible costs, and prescription drug and office co-payments. The VEBA plan adopted by FHLSD specifies that employees can carry over 100 percent of any unspent VEBA funds. The employee can use these funds for qualified medical expenses in the future. The VEBA plan permits access to these funds even if the individual is no longer employed by the District. In addition to VEBA contributions, FHLSD contributes 97 percent of the premium for single coverage and 90 percent for family plan premiums for employees' health insurance coverage.

In the area of worker's compensation, FHLSD had a high number of worker's compensation claims in calendar year (CY) 2004 compared to previous years, with seven total cases, compared to five total cases from CY 2000 to CY 2003. The District participates in a premium discount program. As part of the program, the District has adopted recommended practices to qualify for the premium discount program including a work-place safety policy statement, a written safety and health training program, general and job-specific safe work practices, and a transitional work program.

In addition to health insurance, FHLSD provides its employees life, vision, and dental insurance coverage. The District pays 100 percent of the premium costs for these three additional types of insurance. A comparison of the District's premiums found that FHLSD's premiums for life, vision, and dental insurance were comparable to or lower than the averages reported by SERB.

### *District Programs*

In FY 2005-06, the District's percentage of at-risk students was 52.9 percent, which is higher than the State average of 35.1 percent. The District met 9 out of 25 performance standards, putting the District in the "at risk" status and "continuous improvement" designation. The District's graduation rate of 90.2 percent in FY 2005-06 was higher than the State average of 86.2 percent. FHLSD's Continuous Improvement Plan contains goals and indicators related to at-risk students, and the District is taking steps to improve academic performance and test scores of this student population (i.e. after-school tutoring). The District also receives Title I funds to improve the academic performance of at-risk students.

FHLSD employs 15 special education staff and special education enrollment is approximately 172 students. In FY 2005-06, FHLSD's special education services expenditures per pupil was \$1,498, which was 45 percent higher than the peer district average of \$1,035 (see **R3.5**).

In FHLSD's gifted program, the District has developed goals and objectives which highlight important elements of its gifted programs including assessment and identification of students and best practice strategies (differentiated instruction, cluster grouping, acceleration and pull-out, and engage and interact with stakeholders). The District employs a Gifted Coordinator and a Gifted Teacher to oversee and implement its gifted program.

## Recommendations

### *Staffing*

- R3.1 FHLSD should consider reducing its regular teacher staff by 8 FTEs. This reduction would help the District improve its financial condition while still exceeding the State minimum requirements. The District should weigh decisions to reduce regular teacher staffing levels against the impact reductions may have on the District's education levels and student achievement. If the District elects to consolidate its students to a single campus (see facilities section), regular education staffing reductions may be achieved by combining classes.**

**After the conclusion of fieldwork, the District made an additional reduction of 4 FTEs in regular teaching staff which brings the District to the peer average. However, FHLSD may need to fully implement this recommendation and reduce 4 additional regular teacher FTEs to resolve its projected deficit.**

FHLSD has higher regular education teacher staffing in comparison to the peer districts. In FY 2006-07, the District has a regular education teacher staffing per 1,000 students of 52.9; which is higher than the peer district average ratio of 49.6. FHLSD's students per teacher ratio is approximately 15:1, compared to a peer average of 17:1 indicating the District remains higher in regular education staffing when factoring in student enrollment. High regular education staffing increases personnel costs for the District. FHLSD has lower student-to-teacher ratios at the two elementary schools because of declining enrollment in the District. The District's students per certificated staffing (includes primarily teachers) ratio at the elementary schools averages approximately 12:1. According to OAC § 3301-35-05, the minimum ratio of teachers to students district-wide is 1 FTE classroom teacher for every 25 students in the regular student population. During the course of the performance audit, the District approved a reduction of 7.5 FTE regular education teachers for FY 2007-08. With this reduction, FHLSD remains 4 FTE regular education teaching staff above the peer average. and 19 FTEs above State minimum standard.

FHLSD's 2005-06 report card indicated the District is in continuous improvement; meeting 9 performance indicators out of 25. In addition, FHLSD did not meet its adequate yearly progress. Therefore, the District should weigh any reductions in regular teaching staffing with the impact on its educational programming and progress for student achievement.

A reduction of eight additional regular education teaching staff would give FHLSD a staffing ratio of that is 6 percent lower than the peer average, but would generate the

additional savings needed by the District to address its operating deficit assuming implementation of the other recommendations in this report. However, if the District elects not to implement other cost saving recommendations contained in this audit report, it would need to make further staffing cuts to eliminate its projected deficit.

- If FHLSD elects not to consolidate into a single campus and, instead, decides to consolidate into one elementary school building, the District would need to consider reducing 12 regular education teaching staff in order to resolve its operating deficit.
- If the District decides to continue with its present building configuration and not close any buildings, then the staffing reduction would need to be increased to 17 teachers; this places the District at the State minimum standard.
- These reduction levels assume that the District implements the other cost saving recommendations in this report. Should FHLSD not implement all of the recommendations and not close at least one building, then going to the State minimum standard will not generate sufficient savings for the District to achieve solvency.

*Financial Implication:* FHLSD could reduce costs by approximately \$303,000 by reducing 8 FTE regular teacher positions. This calculation is based on the average salary for regular teachers of \$26,200 and assumes average benefits of 44.7 percent.

**R3.2 FHLSD should consider reducing educational service personnel (ESP)<sup>5</sup> staffing by 3 FTEs. Reducing ESP staffing by 3 FTEs would allow the District to have staffing levels similar to the peer average while still exceeding the State minimum requirements and achieving cost-savings for the District. If the District elects to consolidate students into one elementary school (see facilities section), ESP staffing reductions may be achieved by combining classes.**

FHLSD's FY 2006-07 ESP staffing per 1,000 students ratio is 9.7, which is 2 FTEs higher than the peer district average. Of all the ESP categories, the largest difference between FHLSD and the peer district average occurred in the ESP teacher classification, where FHLSD employed 9.0 FTEs compared to the peer district average of 6.8 FTEs.

When considering staff reductions, the District should consider consolidating classes which have fewer students, in particular at the elementary schools where student-to-teacher ratios are low. ESP teachers could split time between the two elementary schools.

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<sup>5</sup> According to OAC 3301-35-05, ESP staffing includes elementary school ESP teachers (art, music, and physical education teachers), counselors, library media specialists, school nurses, visiting teachers, and social workers.

For example, the District would not need one music teacher at Amesville Elementary School and one music teacher at Coolville Elementary School; these positions could be combined into 1 FTE position. If the District elects to consolidate students into one elementary school or into a single campus (see **facilities** section), ESP staffing reductions could be achieved by combining classes. Both Amesville Elementary and Coolville Elementary are staffed with ESP teachers that include one art teacher, one music teacher and one physical education teacher. FHLSD could eliminate 3.0 FTE ESP teachers and either have the ESP teachers split their time between elementary schools or, if the District combines its elementary schools or moves to a single campus configuration as recommended in the **facilities** section, only 1 ESP teacher per subject will be needed. If FHLSD eliminated 3.0 FTE ESP teachers this reduction would enable it to achieve an ESP staffing per 1,000 regular education students of 7.3, a level similar to the peer district average ratio. In addition, FHLSD would still exceed State minimum staffing requirements by 4.2 FTEs.

During the course of the performance audit, the District approved reductions of 3.5 FTE ESP staffing for the 2007-08 school year. An additional 3 reductions would put the District at the State minimum standard for this staffing category.

*Financial Implication:* FHLSD could save approximately \$177,000 by reducing 3 FTE ESP positions. This includes the average salary for 1 ESP FTE of \$41,000, and average benefits of 44.7 percent.

**R3.3 The District should reduce two central administrator positions to achieve staffing ratios closer to the peer district average and reduce costs to the General Fund. The District should consider consolidating administrative responsibilities of certificated coordinators and/or classified supervisors to achieve these staffing reductions. However, the District should determine what specific positions should be consolidated based on District and student needs.**

FHLSD FY 2006-07 staffing per 1,000 students ratio for the central administrator classification was 5.7, compared to the peer district average of 2.9. FHLSD central administrator positions include the following: EMIS Coordinator, Maintenance Supervisor, Transportation/Food Service Supervisor, Gifted and Talented Coordinator, Director of Federal Programs, Superintendent, and Treasurer. The Technology Coordinator was not included under central administrators but was coded in computer support. Additionally, the District's Special Education Coordinator is coded under special education staffing in EMIS. Including these positions would result in a correspondingly higher staffing level in central administration relative to the peers.

Although these central administrator positions are typical for school districts, FHLSD could consolidate position responsibilities to make staffing reductions in this area.

Options include combining the positions and responsibilities of the EMIS Coordinator and Technology Coordinator, and the Maintenance Supervisor and Transportation/Food Service Supervisor. The District should also evaluate gifted, special education, and federal programs to determine if consolidation of positions and responsibilities is possible. School districts of all sizes use the consolidation of positions and responsibilities for coordinators and supervisors as a strategy to more efficiently manage staffing resources and achieve cost-savings in personnel. The District's student enrollment is lower than the peer district average and has been trending downward. This results in the District administering the same programs for fewer students with the same central administrator staffing levels, thus resulting in high personnel costs for the District. The District has made staffing reductions in other areas in the previous five-year period, such as regular education teachers, but has not made reductions in central administration. The decision to consolidate responsibilities for central administration positions may entail reductions in program services; and associated State and federal grant funding reductions. However, through consolidating administration positions and responsibilities, more grant funding can be allocated to instructional programming that directly benefits students.

*Financial Implication:* FHLSD could save approximately \$121,000 by reducing 2 FTE central administration positions. This calculation is based on the average salary for supervisors and coordinators of \$42,000 and assumes average benefits of 44.7 percent.

**R3.4 The District should reduce three teaching aides and one library staff position (non-certificated support positions) to achieve staffing ratios closer to the peer district average and gain additional cost savings.**

FHLSD's FY 2007-08 FTE per 1,000 students' ratio for teaching aides was 12.1, compared to the peer district average of 3.5. For the library staffing classification, FHLSD's staffing per 1,000 students ratio was 2.4, compared the peer district average of 1.5. The District employs 15 teaching aides and 3 library staffing positions; however, 12 teaching aide positions are fully funded by grants. Grant-funded positions are not considered for staff reductions since this would not impact the General Fund. FHLSD could reduce the 3 teaching aides not funded by grants to achieve a cost savings to the General Fund, although the ratio per 1,000 students would remain well above the peer average. If FHLSD reduced 1 library staffing position, the District's staffing per 1,000 students ratio would be 1.6, more comparable to the peer district average of 1.5.

*Financial Implication:* FHLSD could save approximately \$87,000 by reducing 4 FTE non-certificated support positions (e.g., teaching and library aides). This calculation is based on the average salary for library aide and teaching aide positions, and assumes average benefits of 44.7 percent.

**R3.5 FHLSD should develop and implement performance measures to monitor and review cost-effectiveness of special education services, ensuring appropriate program design to maximize resources. Developing special education performance measures would help ensure appropriate staffing and expenditure levels for special education. In addition, FHLSD should regularly review the cost-effectiveness of special education services required through Individualized Education Programs (IEPs) based on the method of service delivery. Employing ESC personnel or contracting with a neighboring district to provide services may reduce FHLSD's costs to provide IEP required services in some cases.**

The District's special education student-to-teacher ratio of 11.6:1 is lower than the peer average of 14.1:1, indicating staffing is potentially high in this area. The District has not developed goals and strategies to monitor special education staffing and expenditures. The District has, however, developed goals and strategies focused on improving students' adequate yearly progress scores. A component of these strategies involves trying to identify the students with the most intensive needs and providing a higher level of services to them.

FHLSD special education staffing is determined by the unique needs of students based on IEPs, so reducing staffing in this area is not always feasible or the best option. According to District policies, IEPs are, at a minimum, reviewed and revised on an annual basis. Parents are informed, through newsletters, of the process for referring their child for special education services. Parents are also provided a copy of procedural safeguards when a referral is made or at least once a year for a student identified for special education services. Documentation of attempts to obtain parent participation is maintained with at least two attempts made to have parent participation at meetings.

The District's FY 2005-06 General Fund special education expenditures of \$925,279 were approximately equal to the funding received from ODE for special education. This indicates that the District is able to support General Fund special education expenditures almost entirely through State funding. The District also uses grants such as Title I to partially fund special education services, but this funding comprises only a small percentage of total special education funding.

The District has implemented strategies to maximize and pool special education resources by using its ESC to supplement current special education programming. According to the District's Special Education Coordinator, there are two classrooms in the middle school used by the ESC to serve multi-disability students. At Amesville Elementary School, one ESC classroom is used for emotionally disturbed students. The District also has an in-house multi-disability unit at the high school/middle school campus, with one teacher that serves FHLSD students as well as students from other districts. The District uses the Southeast Ohio Special Education Regional Resource

Center (SEO-SERRC) for professional development and special education instructional resources. SEO-SERRC provides consultants in special education areas, such as speech and language services, educational assessments, behavioral management, and autism. According to ORC § 3323.08, a school district's plan for special education services should provide for an organizational structure and necessary staffing and supervision for the identification, placement, and provision of educational programs for handicapped children. The district should, in accordance with guidelines adopted by the State board of education, identify problems relating to the provision of qualified personnel and adequate facilities, and indicate the extent to which the cost of programs required under the plan will exceed anticipated state reimbursement. Each school district should then immediately implement the identification, location, and evaluation of handicapped children in accordance with the ORC chapter, and implement those parts of the plan involving placement and provision of special education and related services.

According to *Best Financial Management Best Practices* (OPPAGA, 2002), school districts should demonstrate that they have clearly stated goals and objectives for each of their programs. School districts that meet best practices should establish program standards that are achievable within existing resources. School districts should have accountability systems that include linked input, output, process, and outcome measures. Developing goals and objectives and carefully monitoring expenditures for special education would provide the District valuable information to ensure it is meeting the needs of its students in an efficient manner.

Developing internal performance measures and criteria for special education is critical to identify and establish appropriate costs of services, required staffing levels, and controls for monitoring compliance to State regulations. Internal performance measures used to monitor costs, staffing and organization could include the following:

- Student per staff ratios based on special education area (i.e. emotionally disturbed, special learning disability, etc.);
- Cost per student for special education services;
- Staffing compliance with ORC and OAC regulations;
- Cost benefit analyses of options to provide special education services (i.e. ESC, partnering with neighboring school districts, etc.); and
- Staffing, organization and costs in relation to other program performance measures, such as academic achievement of students.

By using performance measures to determine the efficiency and effectiveness of its special education program, FHLSD can ensure that it is providing appropriate services to its special education students while effectively managing its special education funds.

**R3.6 The District should ensure EMIS data is reviewed regularly and checked for accuracy and completeness. Regularly reviewing EMIS data provides additional assurance that data is reliable, reducing the risk of making funding and staffing decisions based on erroneous data.**

FHLSD FY 2006-07 EMIS demographic and staff summary reports contained inaccurate and incomplete data. The Assistant Treasurer confirmed FY 2006-07 EMIS data needs additional reviewing to ensure accuracy. EMIS FY 2006-07 staff summary reports contained no data regarding regular teachers and ESP personnel. In addition, the EMIS certificated and classified demographic reports also counted certain employees in incorrect EMIS codes. It should be noted; however, that overall EMIS staffing numbers in FY 2005-06 was determined to be reliable after comparing EMIS reports with District payroll reports. While the Treasurers Office was in the process of updating the EMIS reports to reflect accurate and complete data during the performance audit, the FY 2006-07 EMIS reports were inaccurate and incomplete. Reasons for inaccuracy included: the Treasurer's Office focusing on priorities that superseded reviewing EMIS staffing data (i.e. processing and reviewing payroll); and the EMIS Coordinator concentrating on ensuring FHLSD EMIS student data was accurate rather than staffing data, because State funding is largely based on reporting student enrollment. The EMIS Coordinator indicated that the District uses guidelines in the EMIS manual for reviewing data. The EMIS Coordinator also indicated she has attended ODE training on EMIS; and SEOVEC training on changes in the EMIS manual and other related topics. However, the process for reviewing EMIS staffing data does not appear formalized or sufficient for ensuring the accuracy and completeness of data submitted to ODE.

The Treasurer's Office, specifically the EMIS Coordinator, is responsible for inputting and reviewing all EMIS data for accuracy. According to the EMIS Coordinator, the District uses the EMIS manual as a guide to ensure staffing and student data is complete and accurate. The District also uses its Information Technology Center (ITC), SEOVEC, and ODE to act as additional controls to check that EMIS data inputted and submitted by FHLSD is complete and accurate.

ODE developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel demographics. All schools are required to provide specific student, staff, and financial data to ODE for processing. Entering data correctly helps to ensure comparability between school districts. The data entered into EMIS can be used by school districts when making management decisions, including determining needed staffing levels. The primary functions of EMIS are to meet State and federal reporting requirements; to apply for funding and distribution of payments; to establish an academic accountability system; and to generate Statewide and District reports for stakeholders.

According to the 2007 EMIS manual, school districts report staffing information during the October reporting period and the year-end reporting period. Staff data reported during the October reporting period provides a snapshot of the district's employees during the October Count Week. The staff records for the year-end reporting period are identical in format to the staff records for the October reporting period. The difference is that the year-end staff data reflect the status of the staff member as of the end of the school year. Both October and year-end reporting periods can reflect individuals no longer employed by the school district, and because of this, staffing data reported during these periods may not reflect an actual staffing count. However, FHLSD's FY 2006-07 EMIS staffing reports contained several errors in the data, and could reflect a larger problem with overall EMIS reporting. The lack of a regular review of EMIS data could result in inaccurate and incomplete data used for District, State, and federal reporting requirements; funding and distribution of payments; decision-making; and planning.

### *Benefits*

**R3.7 To curb further health insurance premium increases, the District should evaluate and compare the health insurance plans offered by the Consortium with other available health insurance plans. The District should ensure employees receive sufficient health insurance coverage, while considering cost-saving strategies such as reducing the amount of coverage for selected items, increasing employee contribution rates, increasing co-pays and co-insurance amounts, increasing out of pocket maximum amounts, and increasing deductibles. In addition, the District should form an internal health insurance committee to evaluate health insurance plans on an ongoing basis, identify cost-saving strategies, and formulate ideas and encourage participation for health care promotion programs (i.e. wellness programs) for District staff.**

The Consortium's premium rates are higher than comparable average premium rates for school districts in the region. The VEBA family premiums are 12 percent higher than the SERB average family premium for the southeast region<sup>6</sup>, and the Consortium's PPO option family premium rates are approximately 20 percent higher than the southeast region (see **Table 3-2**). By participating in the Consortium, FHLSD should be receiving lower, or at least comparable, rates than other entities in the southeast region.

The Consortium's VEBA plan has a lower family premium, but a higher single premium than the Consortium's PPO option. The VEBA plan has the highest deductible, with a

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<sup>6</sup> SERB's health insurance survey included fifteen counties comprising the southeast region, which consisted of the following: Athens County, Belmont County, Gallia County, Guernsey County, Hocking County, Jackson County, Lawrence County, Meigs County, Monroe County, Morgan County, Muskingum County, Noble County, Perry County, Vinton County, and Washington County. Survey respondents for the southeast region included 45 school districts, 7 ESCs, 5 vocational schools, and SEO-SERRC.

\$1,000 network deductible, compared to \$200 network deductible for the PPO option. The VEBA plan has lower premium rates to offset the costs of the annual \$1,000 VEBA contribution and higher deductible. However, FHLSD's VEBA premium rates, with the \$1,000 VEBA contribution factored in, does not differ substantially from the PPO option. FHLSD essentially pays for each employee's deductible with the \$1,000 VEBA contribution, so employees do not have a major stake in paying for their own health care costs. This runs counter to current United States trends in health care where employers are implementing more consumer based health care plans, which require workers to contribute more for routine health care costs.

The percentage contribution for FHLSD employees for health insurance premiums is also lower than comparable industry standards. FHLSD employees with family coverage contribute 10 percent toward premiums, and employees with single coverage contribute 3 percent toward premiums. The SERB average for Athens County has higher percentage contributions, with employees contributing 14 percent toward family premiums and 9 percent toward single premiums. Higher premium rates and low employee contribution rates create overall higher health insurance costs for FHLSD. FHLSD's average fringe benefits cost per employee is approximately \$14,000; and the District's fringe benefit costs per pupil are \$2,191, which is \$489 higher than the peer district average of \$1,702. In contrast, FHLSD's total revenue per pupil is approximately \$8,568, compared to a peer average of \$8,209.

**Table 3-2** compares FY 2006-07 health insurance monthly premiums and average monthly employee contributions for FHLSD with the Kaiser 2006 Estimated Annual Survey and SERB estimated averages for like-sized school districts for the southeast region and Athens County similarly sized employers.

**Table 3-2: FHLSD Health Insurance Premium Comparison**

	FHLSD	Kaiser Estimated FY 2006-07 for School Districts	SERB Estimated FY 2006-07 for School Districts
<b>Average Monthly Premium</b>	<b>PPO/VEBA Option <sup>1</sup></b>	<b>PPO</b>	<b>Southeast Region:</b>
<b>Single:</b>	\$524.25/\$544.68	\$393.11	\$461.84
<b>Family:</b>	\$1,400.70/\$1,315.95	\$1,055.46	\$1,169.99
<b>Average Monthly Employee Contribution</b>	<b>VEBA Option <sup>2</sup></b>	N/A	<b>Athens:</b>
<b>Single:</b>	3%		8.9%
<b>Family:</b>	10%		13.9%

Source: FHLSD, Kaiser, SERB

<sup>1</sup> VEBA premium amounts listed in **Table 3-2** factor in the \$83.33 per month (\$1,000 annually) for VEBA contribution, added to single premium amount (\$461.35) and family premium amount (\$1,232.62).

<sup>2</sup> FHLSD employee contribution rates of 3 percent for single and 10 percent for family are based on the premium rates of single (\$461.35) and family (\$1,232.62) without the District's VEBA contribution factored into the premium.

**Table 3-3** shows the Consortium's VEBA and PPO options' co-payments, deductibles, and maximum out-of-pocket maximum amounts compared to the Kaiser 2006 Annual Survey and Ohio Education Association (OEA) industry standards.

**Table 3-3: FHLSD Health Insurance Coverage Comparison**

	<b>FHLSD</b>	<b>Kaiser Foundation 2006 Annual Survey</b>	<b>OEA</b>
<b>Co-Payments for Physician Visits</b>	<p><b>PPO Option</b></p> <p><b>Network:</b> \$10 <b>Non-Network:</b> 20%</p> <p><b>VEBA Option</b></p> <p><b>Network:</b> \$20 <b>Non-Network:</b> 20%</p>	<p><b>PPO</b></p> <p>&lt;1%: \$5 per visit 12%: \$10 per visit 25%: \$15 per visit <b>35%: \$20 per visit</b> 17%: \$25 per visit 7%: \$30 per visit 3%: \$Other amount</p>	<p><b>Network:</b> 10%</p> <p><b>Non-network:</b> 20%</p>
<b>Multi-tier Drug Plan Co-Payments</b>	<p><b>PPO</b></p> <p>\$5 generic \$12 brand</p> <p><b>VEBA</b></p> <p>\$7 generic \$15 brand</p>	<p><b>PPO</b></p> <p>\$11 generic \$24 preferred \$38 non-preferred</p>	<p><b>Retail (50% offered 3-tiered plans):</b> \$10 generic drugs \$15 formulary drugs \$30 non-formulary drugs For 30 day supplies</p> <p><b>Mail Order (48% offered 3-tiered plans):</b> \$10 generic drugs \$30 brand name formulary \$40 brand name non-formulary For 90 day supplies</p>
<b>Average Annual Deductibles</b>	<p><b>PPO</b></p> <p><b>Network:</b> \$200 Single \$400 Family <b>Non-Network:</b> \$400 Single/\$800 Family</p> <p><b>VEBA</b></p> <p>\$1,000 Network and Non-Network Single and Family</p>	<p><b>PPO (In Network)</b></p> <p>\$473 (Single) \$1034 (Family)</p>	<p><b>Single</b></p> <p>Network: \$100 Non-Network: \$200</p> <p><b>Family</b></p> <p>Network: \$200 Non-Network: \$400</p>

	FHLSD	Kaiser Foundation 2006 Annual Survey	OEA
<b>Annual Out of Pocket Maximum</b>	<p><b>PPO</b></p> <p>Network: \$1,000 Single/\$2,000 Family Non-Network: \$2,000 Single/\$4,000 Family</p> <p><b>VEBA</b></p> <p>Network: \$1,000 Single/Family Non-Network: \$2,000 Single/Family</p>	<p><b>Single Coverage</b></p> <p>10%: \$999 or less 22%: \$1,000 - \$1,499 <b>23%: \$1,500 - \$1,999</b> 20%: \$2,000 - \$2,499 8%: \$2,500 - \$2,999 18%: \$3,000 or greater Above data is for workers facing out-of-pocket maximums. 21 percent of workers have no limit.</p> <p><b>Family Coverage</b></p> <p>14%: \$1,999 or less 16%: \$2,000 - \$2,999 <b>25%: \$3,000 - \$3,999</b> 18%: \$4,000 - \$4,999 10%: \$5,000 - \$5,999 18%: \$6,000 or greater Above data is for workers facing out-of-pocket maximums. 22 percent of workers have no limit.</p>	<p><b>Single</b></p> <p>Network: \$600 Non-Network: \$1,200</p> <p><b>Family</b></p> <p>Network: \$1,200 Non-Network: \$2,400</p>

Source: FHLSD, Kaiser Survey, OEA

As shown in **Table 3-3**, FHLSD’s health insurance coverage items deviate from the Kaiser and OEA benchmarks in the following areas:

- **Multi-tier Drug Plan Co-Payments:** The District’s multi-tier drug plan co-payments are lower than the industry benchmarks.
- **Average Annual Deductible:** FHLSD’s VEBA single network deductible of \$1,000 is higher than a standard PPO plan reported by Kaiser and the OEA. FHLSD’s VEBA family network deductible of \$1,000 is approximate to the Kaiser family deductible and \$800 more than the OEA network family deductible. FHLSD’s VEBA deductibles are generally higher than industry benchmarks because the District’s health insurance is offered along with a health reimbursement arrangement (HRA), so employees can pay for the higher deductible with these funds.
- **Average Annual Out-of-Pocket Maximum:** FHLSD’s VEBA network family and single out of pocket maximum of \$1,000 are lower than Kaiser, but approximate to the OEA. The Kaiser survey shows the most common response for

out-of-pocket maximum is \$1,500 to \$1,999 for single plans; and \$3,000 to \$3,999 for family plans.

Given the District's high insurance costs, low pharmacy co-pays, and low out of pocket maximums, it is important for the District to regularly evaluate health insurance coverage and premiums in conjunction with the cost and impact of its VEBA plan. Regular evaluation will help to determine the optimum design of health benefits to contain costs and reduce utilization, while still providing employees with adequate health care.

The Government Finance Officers Association (GFOA) offers several recommendations for limiting the costs of medical insurance. The GFOA notes that organizations can reduce the cost of health insurance by making incremental changes that include adjusting co-payment and co-insurance levels to influence individual behavior with respect to network/out-of-network services, brand/generic prescriptions and over-the-counter medication, inpatient/outpatient services, and other decisions. The GFOA recommends periodically re-bidding of the health care plan vendors, setting appropriate compensation for insurance brokers, and ensuring that vendor interests are aligned with the organization. Organizations should consider available quality measures for the effectiveness of treatment outcomes and costs. According to the GFOA, organizations may realize savings by sharing certain costs with employees. Cost-sharing can be implemented through joint payment of premiums, co-payments, and co-insurance. Cost-sharing initiatives can be augmented through the use of tax-advantaged savings accounts that allow employees to save and pay for health costs or future retiree health insurance.

FHLSD should form an internal committee to evaluate health insurance on an on-going basis. The committee can be helpful in identifying cost-saving strategies and determining the appropriate design for the District's health insurance program. As noted in, *Research Report: What Works Now – Employer Strategies and Tactics for Controlling Health Care Costs* (Workforce Management, 2004), companies use a variety of strategies to better manage health care costs, including using internal labor/management committee. This committee can help disseminate information to employees about the employer's financial situation and the impact of health care costs. One source of information often used is from a third-party administrator regarding historical costs of health-related services used by employees. This helps to educate employees about what drives increases in health insurance premiums. Information sharing can also help to persuade employees accept increased co-pay amounts or other costs which partially offset the effect of premium increases on the employer.

Another approach is related to improving the health status of the workforce. Using an employee committee to design a health promotion program focused on risk-based incentives or offering financial incentives to workers who reduce specific risk factors such as weight, high blood pressure, cholesterol, etc., are popular means to improve the

workforce's overall health status. Such a program would create incentives to participate in various health and wellness activities. Other ideas include offering a regular exercise program in a cleared-out lunchroom and looking for ways to integrate wellness with a more comprehensive approach to employee development.

*Financial Implication:* If FHLSD employees contribute the same percentage towards health insurance as other similar sized employers in Athens County, the District can achieve annual cost-savings of approximately \$83,500. Additional cost savings may be achieved through negotiating lower premiums with FHLSD's insurance carrier.

- R3.8 The District should develop a plan to restructure its VEBA plan so that it is better able to control health care costs and create incentives for employees to self-regulate their use of the health care system. As part of the evaluation, the District should consider how the VEBA plan is structured, and consider limiting or reducing VEBA employer contribution amounts. The District can not implement ideas for restructuring VEBA until contracts are renegotiated. The District should approach certified and classified collective bargaining units regarding making changes to the VEBA plan. The evaluation of the VEBA plan should be performed in conjunction with an assessment of health insurance coverage, deductible, and premiums to maximize cost-savings while still providing sufficient health insurance coverage to employees. In addition, the District should develop an internal health insurance committee to evaluate health insurance plans and cost-saving strategies for health insurance, as well as the VEBA plan (see R3.7).**

FHLSD has adopted the America's VEBA Solution model, which is a health reimbursement arrangement (HRA). An HRA is a tax-advantaged benefit that allows both employees and employers to save on the cost of healthcare. The Superintendent indicated that the reason the District chose to implement an HRA was to save on premium costs; however, FHLSD's fringe benefit costs per pupil in FY 2005-06 were \$2,191, which was \$489 higher than the peer district average of \$1,702. The VEBA premium rates are higher than average premium rates for school districts in the region. In addition, FHLSD contributes \$1,000, the entire deductible, to a trust for each employee, and this contribution increases health insurance costs for the District.

According to the Consortium, FHLSD is the only member that has all its employees enrolled in the VEBA plan. The Consortium provided an analysis of FHLSD's VEBA claims, and showed that the VEBA plan claims were lower than expected compared to the other Consortium members' PPO claims. However, the District's VEBA plan is not a high deductible health plan (deductible over \$2,200 for family and \$1,100 for individual).

The VEBA plan model adopted by the District, along with the District's decision to fully cover the plan's deductible, does not maximize the benefit of using a health

reimbursement account. HRA plans are very flexible, enabling employers to control their own costs of healthcare while still providing a valuable employee benefit. In a health reimbursement account, employers may establish the expenses for which the HRA funds may be used, from as comprehensive as all health-related eligible expenses to as limited as emergency room expenses only. According to the Kaiser Family Foundation, health reimbursement accounts are often associated with high deductible health plans, although it is not legally required.

FHLSD has not established any goals for measuring the performance of its HRA. In its 2006 publication *How to Implement Consumer Driven Health Care (Step by Step)*, the HR Consulting Group recommends that employers set realistic goals as to what they want to accomplish with implementing an HRA. Examples of typical goals include:

- Reducing the annual health insurance cost, indicating a specific percentage reduction as a measurable goal;
- Improving communications to change employee perceptions and enhance the perceived value of benefits offered;
- Increasing employee awareness of health care options, education, and costs via the Internet, administrator education, group meetings, and newsletters and gauging the effectiveness of such efforts by the use of surveys or focus group;
- Offering more choices to improve employee satisfaction; and
- Giving employees greater responsibility for health care decisions through defined contribution approaches.

Contributing the full deductible for every employee increases overall health care costs for the District, and may not motivate employees to use services appropriately. Establishing formal goals and objectives would allow the District to consider strategies to re-structure VEBA to contain costs, while still providing adequate health care to employees. Strategies to contain costs of VEBA include reducing the VEBA contribution amount and limiting the amount that can be carried-over every year. In addition, FHLSD should work with the Consortium to obtain competitive premium rates for health insurance, and adjust deductibles and additional coverage items to meet the District's needs. The District should consider forming an internal health insurance committee to evaluate health insurance costs and VEBA. Forming an internal health insurance committee allows all District stakeholders to have input in determining the best options for health insurance that addresses employee and District needs, and considers strategies to reduce costs.

*Financial Implication:* If FHLSD reduces the VEBA contribution amount from \$1,000 to \$500 for all employees, it can save approximately \$84,500 annually.

*Collective Bargaining*

**R3.9 During the next contract negotiation, the District should consider revising the following contract provisions:**

- **Reduce the maximum sick leave days accrued for the severance pay-out from 60 days (certificated contract) and 55 days (classified contract) to the ORC § 124.39 30-day minimum standard.**
- **Reduce holidays to the ORC § 3319.087 minimum standard of 7 days.**
- **Reduce vacation days to the ORC § 3318.084 minimum standard, which places limits at 4 weeks vacation for employees with over 20 years of service-- vacation leave should always be taken at a time mutually convenient to the employee and supervisor.**
- **Reduce the amount of employee sick leave by incorporating and enforcing stricter District-wide policies for sick leave in the certificated and classified contracts. District administrators should set targets for attendance, and regularly track and monitor sick leave usage by employees. If the District successfully reduced sick leave usage, it would reduce additional administrative time to find substitutes, enhance the quality of communication by eliminating interruptions in the delivery of curriculum, and reduce overall substitute costs.**

**Renegotiating these items will result in cost avoidances for the District. However, contract provisions are unlikely to be changed until negotiated agreements are renewed in 2009.**

The severance package offered by the District exceeds ORC § 124.39 minimum standards. According to the certificated contract, bargaining unit members receive severance pay equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days; or 25 percent of the unused accumulated sick leave to a maximum of 240 days (60 days maximum) multiplied by the daily salary rate of the teacher. The retiree can choose which severance formula to use. According to the classified contract, the maximum sick leave days paid out at retirement for classified staff is 55 days (see **Appendix 3-B**).

According to ORC § 124.39, if an individual retires from active service with 10 or more years of service with the State, they are entitled to be paid in cash for 25 percent of the value of the employee's accrued but unused sick leave credit up to a maximum of 30 days. A policy can be adopted allowing an employee to receive payment for more than 25 percent the value of the unused sick leave, for more than the aggregate value of 30 days

of the employee's unused sick leave, or allowing the number of years of service to be less than 10.

Classified contract provisions for vacation and holiday days exceed ORC minimum standards. According to ORC § 3319.087, all 11 or 12 month regular non-teaching school employees are entitled to the following 7 holidays: New Year's Day, Martin Luther King Jr. Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. FHLSD allows 12-month classified employees 9 paid holidays, 2 more holidays than the minimum standard (see **Appendix 3-B**). Allowing employees to receive holiday above ORC minimum standards reduces productivity which could, in turn, affect classified staff workload (i.e. reduced cleanliness of buildings).

The District provides classified employees with 15-25 years of service 4 weeks of vacation leave and employees with over 25 years of service 5 weeks of vacation leave. According to ORC § 3318.084, non-teaching school employees including full-time hourly-rate and per diem employees are entitled to the following number of vacation weeks:

- One to nine years: two calendar weeks;
- Ten or more years: three calendar weeks; and
- Twenty or more years: four calendar weeks.

FHLSD vacation provisions provide more days for employees with over 15 years of service than the ORC minimum standard. Allowing vacation leave above ORC minimum standards increases District costs when vacation leave is paid out.

In addition to holiday and vacation policies, there are no sick leave provision in FHLSD's certificated and classified contracts that have detailed language on responsibilities for monitoring employee attendance, counseling employees on strategies to improve attendance, and outlining conditions under which employees are put on leave probation status. The District's sick leave provisions in the classified and certificated negotiated agreements include requirements for sick leave accrual and doctor notices. The District's classified contract also has an employee sick leave incentive that reimburses employees that use three or fewer days of sick leave per calendar year (see **Appendix 3-B**). The Assistant Treasurer indicated that nine employees, primarily bus drivers, earned the sick leave incentive in FY 2005-06.

According to the AOS survey of FHLSD employees, 68 percent of employees either disagreed or strongly disagreed that employee sick leave policies are too lenient. However, the absence of strict sick leave policies and leave reduction strategies could result in high levels of sick leave usage and high accumulated sick leave amounts at retirement. In FY 2005-06, FHLSD's classified sick leave per employee was 66 percent

higher than the DAS AFSCME standard, and the District's certificated sick leave per employee usage was 25 percent higher than the DAS standard of OEA. In an employee survey (see **Appendix 3-A**), the majority of employees (55 percent) indicated morale was a problem and this could be a factor contributing to higher sick leave usage among employees.

Lakota Local School District (Butler County) has developed strict policies for managing employee sick leave usage. The classified contract has detailed language about adhering to sick leave policies. The contract states that the employee's supervisor is responsible for monitoring attendance and for counseling the employee on use of sick leave. The supervisor may review the attendance record with an employee and discuss possible ways to improve attendance. The administration will request a meeting with the president of the association to decide if the bargaining member should be placed on leave probation status if certain conditions are met. Conditions include a disproportionate number of absences and a continuous pattern of sick leave. In addition, a Lakota Local School District elementary school sets targets for staff attendance that is monitored and then discussed in monthly staff meetings.

*Sick Leave Abuse: A Chronic Work Place Ill* (Smith, M., n.d.) indicates organizations should track sick leave trends and should determine if sick leave usage has been increasing and is high. Organizations should monitor sick leave abuse and keep employees informed of sick leave policies and how they should be used.

*Financial Implication:* By reducing the maximum sick leave days accrued for the certificated staff and reducing the average annual sick leave taken for certificated employees, the District can achieve annual cost avoidances of approximately \$23,800.<sup>7</sup>

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<sup>7</sup> If the District reduced the maximum sick leave days accrued for the certificated staff pay-out from 60 days to the ORC § 124.39 minimum of 30 days it would save approximately \$6,000 per employee for severance pay-out costs. Assuming the average number of certificated employees retiring per year at the District is two, the District would save approximately \$12,000 per year.

Reducing the average amount of annual sick leave taken from 8 days to the DAS average of 6.41 days for certificated employees would result in cost savings of approximately \$11,800 based on substitute teacher costs.

Financial implications for reducing the number of vacation days and holidays were not calculated for the report because they would be difficult to quantify being more related to improved productivity than dollar savings.

*Human Resources Management*

**R3.10 The District should review and update all job descriptions. To accomplish this task, the District should develop a formal plan for the review of the job descriptions and assign the function for one staff person to oversee the process. Job descriptions should be updated to reflect changes in duties and should continue to reflect relevant knowledge, skills, and abilities required to perform the job functions. The District should ensure job descriptions contain minimum qualifications for each employee. Accurate and current job descriptions should then serve as criteria for evaluating employee performance.**

FHLSD does not have a formal process to review and update job descriptions. As a result, the District's certificated and classified job descriptions are not up-to-date. The majority of certificated job descriptions provided to AOS were adopted in August, 1988, and classified job descriptions were adopted in January, 1986. The District has updated some job descriptions such as the Technology Coordinator (2002), and Director of Federal Programs (2003), but has not reviewed and updated all job descriptions on a regular basis. The Treasurers' Office job descriptions also do not include minimum staff qualifications for all employees. Additionally, the Treasurers Office employs two Assistant Treasurer positions, Assistant to the Treasurer (Payroll) and Assistant to the Treasurer (Purchasing). However, the District maintains only one job description for Assistant Treasurer which does not distinguish between the two positions.

Job descriptions may not be reviewed and updated regularly as basic job functions may not change substantially for some positions such as regular teachers, nurses, counselors, cooks, custodians, and secretaries. According to the AOS survey of FHLSD employees, 82 percent of employees responding either agreed or strongly agreed their job descriptions reflected their daily routine. Nevertheless, without up-to-date job descriptions, the District does not have a good basis for evaluating employee performance nor are employees fully versed in the requirements of their jobs.

*Job Descriptions: An Overview* (Society for Human Resource Management, 2002) states that job descriptions have the potential to become the subject of contention, including grievances or litigation. To ensure accuracy, an employer should designate one party (i.e. supervisor) as having the primary responsibility for keeping them current. In addition, the employer should have a plan for reviewing job descriptions regularly. A plan of this type should reflect the personnel resources available to do the review and the characteristics of the job content. Some jobs are dynamic, changing rapidly, and extensive (due to technological or organizational considerations). As a result, the employer should review these job descriptions often. Other jobs change very little over long periods of time. Employers do not need to review these job descriptions as often, but should review them according to a pre-determined schedule.

Depending on the level of detail, FHLSA can use job descriptions directly or indirectly to do the following:

- Assign work and document work assignments;
- Help clarify missions;
- Establish performance requirements;
- Assign occupational codes, titles and/or pay levels to jobs;
- Recruit for vacancies;
- Explore reasonable accommodations;
- Counsel people on career opportunities and their vocational interests;
- Train employees;
- Check for compliance with legal requirements related to equal opportunity, equal pay, overtime eligibility, etc.;
- Make decisions on job restructuring; and
- Suggest ways to enrich work experience.

FHLSA should use the criteria listed above to revise and update all employee job descriptions. FHLSA should review job descriptions annually and make any changes or amendments that are necessary. FHLSA should maintain updated job descriptions in an electronic format so that the District can easily revise them and indicate a “last reviewed” or “last revised” date on each. The District could implement this recommendation within existing resources.

**R3.11 FHLSA’s Superintendent’s Office, Treasurer’s Office, and building principals should establish a quality assurance process to ensure HR functions are effectively coordinated and administered. The District should consider implementing strategies that include employee surveys, focus groups (i.e. culture teams), and quality control measures (i.e. tracking hiring success and exit interviews) to identify specific problems with HR functions and areas for improvement. As part of the quality assurance process, the District should review areas that include evaluation, professional development, job descriptions, employee policies and procedures, and staff/supervisor communication. Establishing a quality assurance process gives the District a method to gauge employee opinions on whether HR functions are achieving desired results and to identify areas for improvement.**

The District does not have quality assurance processes that evaluate HR functions through methods such as climate surveys and/or focus groups. Although the District has processes in place for many HR functions, such as employee evaluations, training and mentoring, and employee policies and procedures, the AOS survey showed that FHLSA’s employees did not view the District’s HR functions as effective.

HR information is communicated to District staff primary through the District's web-site, negotiated agreements, newsletters, and handbooks (i.e. mentor handbook). Based on results of the AOS survey (see **Appendix 3-A**), many District employees rated statements regarding HR topics negatively (either strongly disagree or disagree). Open-ended responses to the AOS survey indicated that the District's financial condition and the conflict between the Board of Education and the Superintendent are impacting employee opinions on the administration of HR functions. However, the strongly negative responses on the survey indicate serious problems at the District concerning HR processes and administration. The following list summarizes some of the survey statements.

### **Job Description**

- Cross training has been implemented by my department (*25 percent disagree or strongly disagree*).

### **Performance**

- The Board monitors its performance and achievement of goals (*52 percent disagree or strongly disagree*);
- I am aware of the Board of Education's achievement of goals (*53 percent disagree or strongly disagree*); and
- Our department could effectively maintain productivity in the event of a short-term absence (*30 percent disagree or strongly disagree*).

### **Evaluation**

- I am evaluated annually (*30 percent disagree or strongly disagree*); and
- The evaluation process provides timely and relevant feedback (*20 percent disagree or strongly disagree*).

### **Sick Leave/Substitutes**

- The District's employee substitutes are qualified and effective (*24 percent disagree or strongly disagree*); and
- Current substitute system is effective in placing substitutes (*27 percent disagree or strongly disagree*).

### **Certifications**

- I am aware of few lapses in certificate/licenses due to lack of management oversight (*37 percent disagree or strongly disagree*).

## Human Resources

- I have sufficient resources to fulfill my responsibilities (29 percent disagree or strongly disagree);
- I am confident in the leadership of the District (60 percent disagree or strongly disagree);
- I am satisfied with how human resources activities are managed in the District (29 percent disagree or strongly disagree);
- I am satisfied with the overall effectiveness of human resources management policies and procedures (27 percent disagree or strongly disagree);
- I am informed of changes in District policies and procedures (29 percent disagree or strongly disagree);
- The District's overall recruitment process is effective (31 percent disagree or strongly disagree);
- I feel overall District employee's satisfaction and morale is positive (55 percent disagree or strongly disagree);
- Information regarding my job duties and responsibilities is shared in a timely and effective manner between departments and individuals (25 percent disagree or strongly disagree);
- My opinion is valued and my input is given consideration (33 percent disagree or strongly disagree); and
- The District staff receives training on how to respond to constituent inquiries (31 percent disagree or strongly disagree).

According to *Framework for Supporting Human Resource Systems* (Brown University Annenberg Institute for School Reform, 2001), school districts should develop a HR systems framework which creates an enabling environment that defines the context and organizational culture; and an operating environment that defines HR policies, practices, and procedures. Leadership works to ensure that the organizational context and environment for HR within the school district enable high quality teaching and learning for all children. Sources of district leadership can come from the school board, superintendent, administrators, teachers, and unions (members/leadership). **Table 3-4** shows examples of strategies to assist school districts in developing HR systems which create effective enabling and operating environments.

**Table 3-4: Human Resources Strategies**

Strategy	Description
<b>Leadership</b>	<p>Creates and participates in programs to develop talent. Gives priority to succession planning, leadership preparation and regular performance reviews.</p> <p>Is responsible for achieving specific improvement targets and goals and for maintaining high staff morale, especially of top performers.</p> <p>Focuses resources on advancing the core instructional model, pursuing continuous improvement and avoiding diffuse, scattered improvement efforts.</p>
<b>Hiring Excellent People</b>	<p>Hiring success is measured and tracked over time to learn how best to source and secure talented teachers and administrators.</p> <p>Compensation, working conditions, responsibility, and professional growth opportunities are packaged to compete aggressively for top talent.</p>
<b>Keeping, Developing, and Supporting Excellent People</b>	<p>Career plans and specific performance goals for employees exist, are up to date, and are clearly linked to overall goals.</p> <p>Above average investment in professional development exists and is dedicated to improving teacher and administrator skills defined by a core instructional framework and needs of the children.</p> <p>Employee attitude surveys are regularly conducted. Ratings are tied to management compensation.</p> <p>Employee feedback is responded to in a timely manner and actions are taken on all critical issues.</p> <p>Culture development teams exist and are responsible for maintaining and nurturing desired culture.</p> <p>Mentoring programs exist for new teachers, as well as for aspiring and new administrators.</p> <p>Exit interviews are conducted, even if candidates are promoted, to continually seek improvements.</p> <p>Teacher and administrator performance are benchmarked in terms of job fulfillment and student results. Peers are involved in evaluation. Administrators are evaluated based on support to the core instructional objectives.</p> <p>Evaluation results are shared, communicated, and used for improvement-strategy development.</p>

Source: Brown University Annenberg Institute for School Reform

In addition, *Best Practices with their Associated Indicators* (OPPAGA, 2002) recommends school districts conduct climate surveys that measure employee satisfaction on such factors as work environment, quality of supervision, safety, district-wide support

and opportunities for professional development. Without formal quality assurance mechanisms and means to allow employee input, FHLSD administrators do not have a useful tool to continually measure employee satisfaction and to determine the effectiveness of HR functions. Furthermore, by not having clear evaluations and policies, the District leaves itself open to legal liability. Lastly, an unhealthy and negative working environment diminishes productivity and can contribute to absenteeism.

### *Board Policies*

**R3.12 The Board should fully implement the District’s self-evaluation process to assess its performance. The Board should use tools such as community surveys and complaint tracking to gauge its performance for serving the District and community. The Board should use this community feedback to develop strategies for improvement. Implementing the self-evaluation process to assess performance should result in a more accurate measurement of Board performance. By receiving more feedback from the community, the Board will be in a better position to understand and take action on issues the community feels are priorities.**

**Additionally, the District should ensure an orientation training program is in place and implemented for Board members. Implementing District policies for Board member orientation training ensures Board members understand their roles and responsibilities to effectively manage complicated District issues.**

The Board has developed policies outlining roles and responsibilities, training, collective bargaining process, and evaluations of the Superintendent and Board. However, on a AOS survey administered to Board members (see **Appendix 3-A**), members rated the following statements under the score of three, indicating overall they disagreed with the statements, and believed the Board did not perform effectively in these areas.

- The Board plays an active role in developing the District's strategic plan (rated 2.8 out of 5).
- The Board annually evaluates the progress the District has made toward achieving the objectives identified in the strategic plan (rated 2.4 out of 5). Additionally, in an AOS survey of FHLSD employees, the majority of employees (52 percent) indicated they either disagreed or strongly disagreed that the Board monitors its performance and achievement of its goals.
- The Board establishes goals and priorities for each fiscal year (rated 2.4 out of 5). The Board polices contain a self-evaluation instrument to assess the Board’s performance, but Board self-evaluation has not been fully implemented.

- Newly elected board members receive sufficient orientation training (rated 2.4 out of 5). Three out of five members indicated orientation training was a concern, although Board members generally indicated on-going training opportunities were available.

According to *Becoming a Better Board Member* (NSBA, 1996), there should be clearly delineated roles and responsibilities for the school board and the superintendent pertaining to district-wide vision and planning, standard setting, assessment, accountability, resource alignment, climate setting, collaboration and continuous improvement. According to the NSBA, many school boards attempt to evaluate themselves by assessing public opinion. If there are few complaints from members of the community and staff, school boards believe they are performing their responsibilities effectively. Some appointed board members view reappointment as an affirmation that they are doing a good job. The public can provide informal evaluation of a board, but it cannot provide the kind of formal evaluation a school board really needs. It is a rare community member who understands the roles and responsibilities of a board and measures a board's performance accurately. Instead, board members should engage in regular self-evaluations to ensure that they continue to exercise the most effective leadership possible. For instance, school board members sometimes may have to make unpopular decisions, particularly in light of financial difficulties (such as closing a school). These decisions may result in a short term negative reaction, but be required for the long-term financial health of the school district.

According to District policies, new Board members are supposed to receive orientation training. The primary purpose of this program is to acquaint the new members with the procedures of the Board, the scope of its responsibilities, and to assist them in becoming informed and active Board members. Policies also indicate that an in-service training program should be developed for Board members. The purpose of the in-service program is to enhance the quality and effectiveness of public school governance for the community. If the District does not ensure Board members receive appropriate orientation and on-going training, Board members may not fully understand their roles and responsibilities to effectively manage complicated District issues.

OPPAGA recommends new board members receive orientation training when they first come on the board. Part of this training should cover the roles and responsibilities of the board and superintendent and Sunshine Law requirements. The Michigan Association of School Boards (MASB) recommends that school districts develop a written orientation plan for new board members. MASB recommends that the District should involve staff in board member orientation, especially those who have major responsibilities and expertise in certain areas.

**R3.13 District staff and the Board should work together to ensure formal and informal systems are effectively implemented that foster long-term communication flow essential for an excellent educational system for students. Formal systems include Board training and evaluation as well as formal mechanisms for communication (i.e. Board meetings, committees, workshops). An informal system of communication builds a culture of trust and understanding by advocating that all parties receive consistent information, respect diversity of opinions, and make decisions and resolve conflict in a way that reflects the mission of the District.**

Board members and District staff indicated in interviews that there is conflict and inconsistent communication between Board members; and between Board members and the Superintendent. This reportedly makes it difficult for Board members and the Superintendent to work together and accomplish District goals. In a survey administered to Board members, members rated strategic planning and progress toward meeting goals and objectives low at the District (see **Appendix 3-A**). The Board has developed policies outlining roles and responsibilities, training, the District's collective bargaining process, and the evaluation process for the Superintendent and Board. These policies, if fully implemented, would assist the Board and District in developing formal systems which ensure effective internal communication. However, Board policies on items such as orientation training and evaluation are not fully implemented (see **R3.12**).

*Strengthening Board of Education/Superintendent Relationships in America's Schools* (Institute for Educational Leadership (IEL) University of Northern Iowa, 1991) recommends that districts ensure the long term communication flow between board members and superintendent by evaluating, modifying, and implementing the following formal systems to meet the needs of the district. Specifically a board should consider developing the following systems:

- Board meeting system to communicate and provide for the expected events that will occur at a board meeting;
- Workshop system to bring all board members to a common understanding of issues relevant to their decision making responsibilities (see **R3.12**);
- Evaluation/accountability system to communicate the board's expectations of the superintendent regarding his/her role and responsibilities;
- Strategic planning system to develop and communicate both short and long term needs and goals of the district (see **R2.1**);
- Training/orientation system to prepare new and continuing members of the board for the complex issues facing today's school boards (see **R3.12**);
- Special issues system to address major changes in the district such as school closings and boundary realignment; and

- Board policy system to communicate district requirements for school operation and related activities.

The IEL report also indicates that school districts should nurture an informal system of extra-official contacts that occur between board members and the superintendent for the purpose of ensuring long-term trust and communication. To make effective decisions, school district administrators and board members should work together to create an informal communication system that does the following:

- Creates an environment that allows people to admit mistakes;
- Ensures that all board members and the superintendent receive the same information and all information necessary for making decisions;
- Strives to create conditions in which all board members come to meetings with open minds;
- Makes decisions and resolves conflicts in a manner which reflects the mission/vision of the district encouraging each individual board member to shed his/her individual identity and become a part of the whole;
- Establishes good communication that encourages listening and promotes diversity of opinion to allow informed decision making;
- Creates a mechanism which allows a cooling off period at those times when emotions have reached a peak; and
- Recognizes and respects individual roles of each participant in decision making and conflict resolution.

School Boards must be certain communication with the superintendent is effective, and then must ensure the superintendent places a high priority on systematic, two-way communication. Internal communication systems are essential to creating team spirit, and operating a two-way communication system within the Board. Making full use of an internal communication system assists the Board in operating from a fully informed, proactive position on district issues and decisions. The challenge for all school leaders is to develop a system that effectively and efficiently delivers the highest quality education to students with the resources available. A key factor in developing this type of system is committing time and energy to nurturing positive relationships between and among the Superintendent and Board members.

## Financial Implication Summary

The following tables represent a summary of the annual cost savings for the recommendations in this section of the report. Recommendations are separated based on whether they require negotiations. Implementation of those recommendations requiring negotiation would require the agreement of the affected bargaining units. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications for Human Resources

Recommendation	Estimated Savings
<b>Recommendations Not Subject to Negotiation</b>	
<b>R3.1</b> Reduce eight regular education teaching positions.	\$303,000
<b>R3.2</b> Reduce three ESP positions.	\$177,000
<b>R3.3</b> Reduce two central administrator positions.	\$121,000
<b>R3.4</b> Reduce four non-certificated support positions which include one library staff position and three teaching aides.	\$87,000
<b>Subtotal</b>	<b>\$688,000</b>
<b>Recommendations Subject to Negotiation</b>	
<b>R3.7</b> Increase employee contributions to 8.9 percent for single and 13.9 percent for family.	\$83,500
<b>R3.8</b> Reduce employer VEBA contributions from \$1,000 to \$500 per employee.	\$84,500
<b>R3.9</b> Reduce the maximum sick leave days accrued for the certificated staff, and reduce the average annual sick leave taken for certificated employees.	\$23,800
<b>Subtotal</b>	<b>\$191,800</b>
<b>Total Recommendations</b>	<b>\$879,800</b>

Source: AOS

Note: Financial implications for staffing reductions do not include unemployment costs to the District. Actual savings from these reductions would be reduced by unemployment paid to impacted employees.

## Appendix 3-A: Employee and Board Surveys

An employee survey was distributed electronically to FHLSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback on a variety of subjects and to gauge the perceptions of customer services and related issues in the human resource functions. FHLSD had a response rate of approximately 50 percent for human resources-related survey questions. Survey responses were tallied on a scale of 5 to 1 where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. Employees also had the option to put no opinion as a response to the survey question. The following table illustrates the results, showing the percent of employees who responded to each scale interval and the response average.

**Table3-A1: Human Resource Survey Results**

Survey Questions	Survey Results
<b>Job Description</b>	
<b>1.) I am aware of the duties required in my job description.</b>	
• Strongly Agree	61%
• Agree	32%
• Neutral	2%
• Disagree	2%
• Strongly Disagree	2%
<b>2.) My job description accurately reflects my actual daily routine.</b>	
• Strongly Agree	41%
• Agree	41%
• Neutral	7%
• Disagree	6%
• Strongly Disagree	4%
<b>3.) I have sufficient resources to fulfill my responsibilities.</b>	
• Strongly Agree	15%
• Agree	38%
• Neutral	17%
• Disagree	22%
• Strongly Disagree	7%
<b>4.) I receive adequate on-going training to fulfill my job duties.</b>	
• Strongly Agree	28%
• Agree	47%
• Neutral	12%
• Disagree	7%
• Strongly Disagree	6%
<b>5.) Cross training has been implemented by my department.</b>	
• Strongly Agree	9%
• Agree	27%
• Neutral	30%
• Disagree	21%
• Strongly Disagree	4%

Survey Questions	Survey Results
<b>Performance</b>	
<b>6.) Our department could effectively maintain productivity in the event of a short-term absence.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	14% 41% 12% 24% 6%
<b>7.) The Board of Education monitors its performance and achievement of its goals.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	5% 8% 26% 33% 19%
<b>8.) I am aware of the Board of Education's achievement goals.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	7% 13% 22% 37% 16%
<b>Evaluation</b>	
<b>9.) I am evaluated annually.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	21% 30% 15% 25% 5%
<b>10.) The evaluation process provides timely and relevant feedback.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	20% 42% 13% 17% 3%
<b>11.) Evaluations are done in accordance with collective bargaining contracts.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	24% 47% 11% 6% 3%
<b>12.) The evaluation form used is relevant to my job duties</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	19% 54% 17% 2% 2%

Survey Questions	Survey Results
<b>13.) Management responds and acts on recommendations made in evaluation sessions.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>11%</p> <p>34%</p> <p>25%</p> <p>14%</p> <p>1%</p>
<b>Sick Leave/Substitutes</b>	
<b>14.) The District's employee's sick leave policy is too lenient.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>5%</p> <p>5%</p> <p>18%</p> <p>48%</p> <p>20%</p>
<b>15.) The District's employee substitutes are qualified and effective.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>6%</p> <p>39%</p> <p>27%</p> <p>17%</p> <p>7%</p>
<b>16.) Current substitute system is effective in placing substitutes..</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>4%</p> <p>40%</p> <p>23%</p> <p>22%</p> <p>5%</p>
<b>Certification</b>	
<b>17.) I am aware of few lapses in certificate/licenses due to lack of management oversight.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>7%</p> <p>16%</p> <p>19%</p> <p>27%</p> <p>10%</p>
<b>Human Resources</b>	
<b>18.) I am satisfied with how human resources activities are managed in the District.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>4%</p> <p>26%</p> <p>32%</p> <p>22%</p> <p>7%</p>
<b>19.) I am satisfied with the overall effectiveness of Human Resources management policies and procedures.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>5%</p> <p>26%</p> <p>34%</p> <p>20%</p> <p>7%</p>

Survey Questions	Survey Results
<b>20.) I am informed of changes in District policies and procedures.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	11% 38% 23% 25% 4%
<b>21.) The Districts overall recruitment process is effective.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	2% 27% 29% 28% 3%
<b>22.) The District's procedures regarding job posting and hiring is effective.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	12% 45% 23% 11% 3%
<b>23.) I am satisfied with procedures regarding health benefits.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	16% 50% 22% 8% 1%
<b>24.) Current grievance procedures are fair and effective.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	9% 50% 17% 8% 2%
<b>25.) Current discipline procedures are fair and effective.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	5% 42% 29% 13% 5%
<b>26.) I feel overall District employee's satisfaction and morale is positive.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	3% 24% 16% 40% 15%
<b>27.) I feel confident in the leadership of the District.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	7% 15% 18% 36% 24%

Survey Questions	Survey Results
<p><b>28.) Information regarding my job duties and responsibilities is shared in a timely and effective manner between departments and individuals.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>10%</p> <p>35%</p> <p>28%</p> <p>20%</p> <p>5%</p>
<p><b>29.) My opinion is valued and my input is given consideration.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>10%</p> <p>34%</p> <p>19%</p> <p>22%</p> <p>11%</p>
<p><b>30.) The District has formal written procedures that direct staff on how to respond on constituent inquiries.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>6%</p> <p>22%</p> <p>35%</p> <p>16%</p> <p>4%</p>
<p><b>31.) The District staff receives training on how to respond to constituent inquiries.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>2%</p> <p>17%</p> <p>34%</p> <p>24%</p> <p>7%</p>

Source: FHLSLSD employee responses

Note: For each statement, the percents do not add up to 100 percent because respondents indicating no opinion were omitted from the table.

FHLSLSD employees rated the following statements under the score of three, indicating overall they disagreed with the statements, and believed the District does not perform effectively in these areas.

- The Board of Education monitors its performance and achievement of its goals (2.77 out of 5) (see **R3.12**);
- I am aware of the Board of Education's achievement goals (2.76 out of 5) (see **R3.12**);
- I feel overall District employee's satisfaction and morale is positive (2.69 out of 5) (see **R3.11**); and
- I feel confident in the leadership of the District (2.49 out of 5) (see **R3.12**).

Board members were contacted by telephone to complete a survey during the course of this audit. The purpose of the survey was to gauge the opinion of the Board on its effectiveness. The response rate was 100 percent with 5 out of 5 Board members participating in the survey. Responses were recorded on a scale of 5 to 1 where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. The following table illustrates the results.

**Table 3-A2: Board Survey Results**

Survey Questions	Survey Results
<b>Board Roles</b>	
<b>1.) The Board plays an active role in developing the District's strategic plan.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	0% 40% 0% 60% 0%
<b>2.) The Board annually evaluates the progress the District has made toward achieving the objectives identified in the strategic plan.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	0% 20% 20% 40% 20%
<b>3.) The Board establishes goals and priorities for each fiscal year.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	0% 20% 20% 40% 20%
<b>Financial Reporting</b>	
<b>4.) Financial reports are provided to the Board for review prior to committee meetings.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	20% 40% 0% 20% 20%
<b>5.) Financial reports are discussed during Board meetings.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	0% 80% 0% 20% 0%
<b>6.) The proposed budget is presented to the Board in an easy-to-read and understandable format.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	20% 60% 0% 20% 0%
<b>7.) The District financial staff provides the Board with historical financial information that is useful for evaluating the proposed budget</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	20% 40% 20% 20% 0%

Survey Questions	Survey Results
<p><b>8.) The District financial staff provides the Board with financial information that is useful in evaluating the current financial situation or condition.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>40%</p> <p>40%</p> <p>0%</p> <p>20%</p> <p>0%</p>
<p><b>9.) The District's financial staff provides sufficient information for line items under/over budget.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>40%</p> <p>60%</p> <p>0%</p> <p>0%</p> <p>0%</p>
<p><b>10.) The Board is actively involved in developing solutions for the District's financial issues.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>0%</p> <p>60%</p> <p>0%</p> <p>40%</p> <p>0%</p>
<b>Board Training</b>	
<p><b>11.) Newly elected Board members receive sufficient orientation training.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>0%</p> <p>40%</p> <p>0%</p> <p>40%</p> <p>20%</p>
<p><b>12.) Board members receive on-going training in areas that are pertinent to their roles.</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>0%</p> <p>60%</p> <p>0%</p> <p>40%</p> <p>0%</p>
<b>Board Communications</b>	
<p><b>13.) The District has written policies that clearly delineate the responsibilities of the Board</b></p> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p>0%</p> <p>100%</p> <p>0%</p> <p>0%</p> <p>0%</p>

Survey Questions	Survey Results
<b>14.) The District has written policies that clearly delineate the responsibilities of the Superintendent.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">0%</p> <p style="text-align: right;">100%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p>
<b>15.) The District has written policies that delineate the responsibilities of the Treasurer.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">0%</p> <p style="text-align: right;">100%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p>
<b>16.) I have been provided information on how to access District staff.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">20%</p> <p style="text-align: right;">80%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p>
<b>17.) I have been provided information on how to direct staff to respond to constituent inquiries.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">0%</p> <p style="text-align: right;">80%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">20%</p> <p style="text-align: right;">0%</p>
<b>18.) Written policies and procedures are routinely updated to ensure that they are timely, relevant and complete.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">0%</p> <p style="text-align: right;">100%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">0%</p>
<b>19.) Evaluations are performed for the Superintendent and Treasurer according to Ohio Revised Code (ORC) or at least annually.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">0%</p> <p style="text-align: right;">80%</p> <p style="text-align: right;">0%</p> <p style="text-align: right;">20%</p> <p style="text-align: right;">0%</p>
<b>20.) The Superintendent and Treasurer's evaluations take into consideration the achievement of strategic goals.</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral/No Opinion</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<p style="text-align: right;">0%</p> <p style="text-align: right;">60%</p> <p style="text-align: right;">20%</p> <p style="text-align: right;">20%</p> <p style="text-align: right;">0%</p>

Source: FHLSD Board member responses

Note: Percentages may not equal 100 due to rounding.

## Appendix 3-B: Certificated and Classified Employee Contract Analysis

The following table compares FHLSD’s certificated agreement to ORC statutes. Only provisions which resulted in recommendations were included in the table (see R3.9).

**Table 3-B1: Certificated Contract Analysis**

Issue	Contract Language – Federal Hocking LSD	Criteria
<p><b><u>Sick leave</u></b></p> <ul style="list-style-type: none"> <li>• <b>Number of sick days accrued</b></li> <li>• <b>Maximum accrual</b></li> <li>• <b>Doctor Notice Required</b></li> </ul>	<p>15</p> <p>Unlimited</p> <p>Yes</p>	<p>ORC § 3319.141 states the following:</p> <ul style="list-style-type: none"> <li>• Each person who is employed by any board of education in this state shall be entitled to fifteen days sick leave with pay, for each year under contract, which shall be credited at the rate of one and one-fourth days per month.</li> <li>• School employees can accrue up to 120 workdays. More can be approved by the local board of education.</li> </ul> <p>A board of education shall require a teacher or non-teaching school employee to furnish a written, signed statement on forms prescribed by such board to justify the use of sick leave. If medical attention is required, the employee's statement shall list the name and address of the attending physician and the dates when he was consulted. Falsification of a statement is grounds for suspension or termination of employment.</p>
<p><b>Maximum number of sick days paid at retirement (percentage payout)</b></p>	<p>Bargaining unit members will receive severance pay equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days or 25% of the unused accumulated sick leave to a maximum of 240 days (60 days maximum) multiplied by the daily rate of the teacher. The retiree shall be may the choice of the severance formula.</p>	<p>According to ORC § 124.39, if an individual retires from active service with ten or more years of service with the state, they are entitled to be paid in cash for one-fourth of the value of the employee’s accrued but unused sick leave credit up to a maximum of 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of thirty days of the employee's unused sick leave, or allowing the number of years of service to be less than ten.</p>

Source: Federal Hocking Local School District and Ohio Revised Code

The following table compares FHLSD's classified agreement to ORC statutes and best practices. Only provisions which resulted in recommendations (see **R3.9**) were included in the table.

**Table 3-B2: FHLSD Classified Contract 2006-2009 Analysis**

Issue	Contract Language – Federal Hocking LSD	Criteria
<b>Holidays</b>	<p>11 and 12 month employees receive 9 holidays – New Years Day, Martin Luther King Day, Christmas, Good Friday, President's Day, Labor Day, Memorial Day, Independence Day, Thanksgiving Day</p> <p>9 and 10 month employees receive 6 holidays</p> <p>New Years Day, Martin Luther King Day, Christmas, Labor Day, Memorial Day, Thanksgiving Day</p>	<p>According to ORC § 3319.087, all regular non-teaching school employees are entitled to the following holidays:</p> <ul style="list-style-type: none"> <li>• <b>Eleven or twelve month employees:</b> 7 holidays - New Year's Day, Martin Luther King Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.</li> <li>• <b>Nine or ten month employees:</b> 6 holidays - New Year's Day, Martin Luther King Day, Memorial Day, Labor Day, Thanksgiving Day, and Christmas Day.</li> <li>• <b>Less than nine month employees:</b> shall be entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment.</li> </ul>
<b>Vacation Leave</b>	<p>After 1 Year – 2 Weeks</p> <p>After 7 Years – 3 Weeks</p> <p>After 15 Years – 4 Weeks</p> <p>After 25 Years – 5 Weeks</p>	<p>According to ORC § 3318.084, non-teaching school employees including full-time hourly-rate and per diem employees receive the are entitled to the following number of vacation weeks:</p> <ul style="list-style-type: none"> <li>• 1 to 9 years: 2 calendar weeks;</li> <li>• 10 or more years: 3 calendar weeks; and</li> <li>• 20 or more years: 4 calendar weeks.</li> </ul>

Issue	Contract Language – Federal Hocking LSD	Criteria
<p><b>Incentives</b> <b>Sick Leave</b> <b>Incentive</b></p>	<p>Each employee who has 3 or less days of sick leave per calendar year should be reimbursed the following schedule:</p> <p>0 Days Used: \$300 1 Day Used: \$275 2 Days Used: \$250 3 Days Used: \$225</p> <p>Part-time employees receive a pro-rated percentage based on the time worked compared to a full day.</p>	<p>SHRM’s <i>Managing Absenteeism Legally</i> (2006), says that using structural approaches such as incentive pay, creative shift scheduling and cross training can assist organizations to manage attendance proactively, and lawfully. Furthermore SHRM and Business and Legal Reports (1999) suggest that managers must be trained on proper recordkeeping to include not only the reason for the absence.</p> <p>Furthermore BLR encourages managers to analyze the record on absences on a regular basis to help identify emerging themes. In addition, the organization is able to use the data to assess the effectiveness of the structural approaches put in place to control excessive leave use.</p>
<p><b>Sick leave</b></p> <ul style="list-style-type: none"> <li>• <b>Number of sick days accrued</b></li> <li>• <b>Maximum accrual</b></li> <li>• <b>Doctor Notice Required</b></li> </ul>	<p>15 Days</p> <p>220 Days</p> <p>Yes</p>	<p>ORC § 3319.141 states the following:</p> <ul style="list-style-type: none"> <li>• Each person who is employed by any board of education in this state shall be entitled to fifteen days sick leave with pay, for each year under contract, which shall be credited at the rate of one and one-fourth days per month.</li> <li>• School employees can accrue up to 120 workdays. More can be approved by the local board of education.</li> <li>• A board of education shall require a teacher or non-teaching school employee to furnish a written, signed statement on forms prescribed by such board to justify the use of sick leave. If medical attention is required, the employee's statement shall list the name and address of the attending physician and the dates when he was consulted. Falsification of a statement is grounds for suspension or termination of employment.</li> </ul>

Issue	Contract Language – Federal Hocking LSD	Criteria
<b>Maximum number of sick days paid at retirement (percentage payout)</b>	Maximum 55 days or 25% of the 220 unused sick leave days.	According to ORC § 124.39, if an individual retires from active service with ten or more years of service with the state, they are entitled to be paid in cash for one-fourth of the value of the employee’s accrued but unused sick leave credit up to 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of thirty days of the employee’s unused sick leave, or allowing the number of years of service to be less than ten.

Source: Federal Hocking Local School District and Ohio Revised Code



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# Facilities

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## Background

The facilities section focuses on custodial and maintenance staffing, operations, expenditures, and building utilization in Federal Hocking Local School District (FHLSLSD or the District). **Appendix 1-A** provides a summary of the audit objectives for the facilities section. Throughout the report, comparisons are made to the best practices and benchmarks from the following organizations: the National Center for Education Statistics (NCES), the Florida Office of Program Policy and Governmental Accountability (OPPAGA), the United States Department of Energy (DOE), the American Schools and University Magazine (AS&U), and DeJong and Associates, Inc. (DeJong). Finally, the Auditor of State (AOS) administered a survey of FHLSLSD employees regarding custodial and maintenance services and those results have been used in the report. Survey questions and results can be found in **Appendix 4-A** at the end of this section of the audit report.

FHLSLSD consists of three school buildings: one middle/high school building (grades 6-12), and two elementary school buildings (preschool-grade 5), located in Coolville and Amesville. The District also operates a vocational-agriculture building and a bus garage both located on the middle/high school campus. District administrative offices are located within the middle school portion of the middle/high school building.

In addition, the District has two unused structures in Amesville: the upper building, which has not been used since May 2006, and the Coonskin Library/ Museum which was built in 1804 and has been in disuse for several years. The District also has a middle school complex in Stewart that was closed in June, 1997. This building has been leased to a county organization since 2003.

The Maintenance Supervisor (Supervisor) is responsible for the maintenance and operations (M&O) of the District's Buildings and Grounds Department (Department). The Supervisor spends approximately 40 percent of his time performing administrative tasks and the remaining 60 percent performing maintenance and grounds keeping activities. Head custodians at the buildings are responsible for overseeing day-to-day building operations, and reporting any issues to the Supervisor and/or building principals. All custodians report directly to the Supervisor, but receive daily operating instruction from the building principals.

The District's buildings and grounds management is performed by three head custodians (one day-shift head custodian in each school building), four second-shift custodians, and two third-shift custodians which equate to 10 full-time employees (FTEs). The District does not have designated maintenance or grounds keeping positions; therefore, the building custodians perform

maintenance and grounds-keeping activities in addition to their cleaning duties. In the past, the District has used student workers during the summer months to assist with maintaining the District's grounds; however, due to financial constraints, the District will not use additional help for grounds during the 2007 summer months. **Table 4-1** illustrates the M&O staffing levels, and the number of FTE employees responsible for maintaining FHLSD's facilities.

**Table 4-1: FY 2005-06 District M&O Staffing Levels**

Classification	Number of Positions	FTEs by Activity
Supervisor	1.0	0.4
<b>Administration</b>	<b>1.0</b>	<b>0.4</b>
Head Custodian	3.0	1.1
2nd Shift Custodian	4.0	4.0
3rd Shift Custodian	2.0	2.0
<b>Total Custodian</b>	<b>9.0</b>	<b>7.1</b>
Maintenance	0.0	1.4
Groundskeeper	0.0	1.1
<b>Total M&amp;O Personnel</b>	<b>10.0</b>	<b>10.0</b>

Source: FHLSD.

Note: Estimates of time spent on activities provided by Maintenance Supervisor – District does not maintain time sheets to document actual time spent in each area.

### Key Statistics

Key statistics related to the maintenance and operations of FHLSD are presented in **Table 4-2**. In addition, results from the 35<sup>th</sup> *Annual Maintenance and Operations Cost Study* (AS&U, 2006) and statistics from the NCES are used in **Table 4-2** and throughout this section of the audit. For its study, AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. This year's report provides the national median and a mean number for each category on a national level and by districts with enrollment of less than 1,000 students; between 1,000 and 3,499 students; and greater than 3,500 students.

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

<b>Number of School Buildings</b>	<b>4</b>
Elementary Schools	2
Middle Schools <sup>1</sup>	1
High School <sup>1</sup>	1
<b>Total Square Feet Maintained</b>	<b>245,997</b>
Elementary Schools	104,586
Middle School	74,114
High School	67,297
<b>Square Feet Per FTE Custodial Staff Member (7.1 FTEs)</b>	<b>34,647</b>
Elementary Schools (3.0 FTEs)	34,862
Middle Schools (2.1 FTEs)	35,292
High School (2.1 FTEs)	32,046
<b>NCES National Average<sup>2</sup></b>	<b>29,500</b>
<b>Square Feet Per Maintenance Staff Member (1.4 FTE)</b>	<b>175,712</b>
<b>AS&amp;U 35th Annual Cost Survey 1,000 -3,499 Student Median</b>	<b>116,272</b>
<b>FY 2005-06 Maintenance and Operations (M&amp;O) Expenditures Per Square Foot<sup>3</sup></b>	<b>\$4.02</b>
Custodial and Maintenance	\$2.74
Utilities	\$1.28
<b>AS&amp;U Annual Cost Survey 1,000 - 3,499 Student Median</b>	<b>\$3.94</b>
<b>Type 1 Peer Districts' Average Expenditures per Square Foot</b>	<b>\$4.74</b>

**Source:** FHLSD 4502 reports (Statement P&Q), Ohio Department of Education (ODE) (Peer Districts), AS&U 35<sup>th</sup> Annual Cost Study, and NCES National Averages.

**Note:** District square footage and peer district data was not tested for reliability.

<sup>1</sup> The high/middle school building is represented as two separate buildings when analyzing square footage and staffing.

<sup>2</sup> NCES indicates that between 28,000 and 31,000 square feet maintained per custodial FTE is considered acceptable, the average of these numbers is 29,500.

<sup>3</sup> Cost per square foot may vary due to rounding and includes only General Fund expenditures.

According to **Table 4-2**, FHLSD custodians clean 17 percent and maintain 51 percent more square feet per FTE employee than the NCES national average and AS&U median respectively. The District's cost per square foot is 2 percent more than the AS&U median but is 18 percent less than the peer districts' average<sup>1</sup> expenditures per square foot. This indicates that the Building and Grounds Department is operating in an efficient and cost effective manner when compared to similar Ohio school districts.

**Table 4-3** illustrates the General Fund expenditures incurred to maintain and operate FHLSD's facilities for the past three fiscal years.

<sup>1</sup> See the **executive summary** section for a description of the 10 peer district average used as a benchmark throughout this report.

**Table 4-3: Maintenance and Operations Expenditures**

Object Code	FY 2003-04	FY 2004-05	Percent Change	FY 2005-06	Percent Change
Salaries/ Benefits	\$491,215	\$471,115	(4.1%)	\$467,452	(0.8%)
Purchased Services excl. utilities	\$201,539	\$146,138	(27.5%)	\$184,526	26.3%
Utilities	\$244,231	\$221,685	(9.2%)	\$314,607	41.9%
Materials/ Supplies	\$62,564	\$27,477	(56.1%)	\$21,916	(20.2%)
Capital Outlay	\$5,841	\$12,112	107.4%	\$550	(95.5%)
<b>Total General Fund</b>	<b>\$1,005,391</b>	<b>\$878,527</b>	<b>(12.6%)</b>	<b>\$989,051</b>	<b>12.6%</b>

Source: FHLSD financial records (4502 Statements P & Q)

Note: Totals may not sum due to rounding.

Overall, maintenance and operations expenditures at the District decreased by 1.6 percent from FY 2003-04 to FY 2005-06 reflecting the District's efforts to reduce costs. The following are explanations for significant variances in expenditures from FY 2003-04 to FY 2005-06:

- **Purchased Services (Excluding Utilities)** – The District was unable to isolate a specific reason for these fluctuations. After a review of the District's expenditures, AOS concluded that it reflected deferred maintenance and, in FY 2005-06, needed repairs. (See **R4.4** and **R4.6**).
- **Utilities** – In FY 2005-06, gas costs increased 144 percent and electricity costs increased 24 percent (see **R4.5**).
- **Materials and Supplies** – The Supervisor indicated that the District had purchased additional supplies in FY 2003-04 which were carried over into FY 2004-05.
- **Capital Outlay** – In FY 2004-05, FHLSD purchased new compressors (see **R4.2**).

**Table 4-4** illustrates FHLSD's FY 2005-06 General Fund maintenance and operations related expenditures per square foot for FHLSD, the 10 peer districts, and the AS&U cost study.

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

	<b>FHLSD</b>	<b>Peer District Average</b>	<b>Percent Difference</b>	<b>AS&amp;U Standard</b>	<b>Percent Difference</b>
District Square Feet	<b>245,997</b>	<b>221,424</b>	<b>15.1%</b>	<b>N/A</b>	<b>N/A</b>
Salaries/ Benefits	\$1.90	\$2.48	(26.1%)	\$2.14	(14.3%)
Purchased Services <sup>1</sup>	\$0.75	\$0.54	33.0%	\$0.16	352.7%
Utilities	\$1.28	\$1.32	(6.2%)	\$1.16	6.4%
Materials/ Supplies	\$0.09	\$0.34	(74.8%)	\$0.34	(74.7%)
Capital Outlay	\$0.00	\$0.05	(95.6%)	N/A	N/A
Miscellaneous	\$0.00	\$0.00	N/A	\$0.14	(100.0%)
<b>Total General Fund</b>	<b>\$4.02</b>	<b>\$4.74</b>	<b>(42.5%)</b>	<b>\$3.94</b>	<b>2.0%</b>

Source: FHLSD, ODE (FY 2005-06 Peer District data), and AS&U 35<sup>th</sup> Annual Cost Study

<sup>1</sup> Excludes utilities

As indicated in **Table 4-4**, total General Fund expenditures per square foot for FHLSD were 42.5 percent lower than the peer district average and 2 percent above the AS&U median. As the AS&U benchmark reflects all regions of the U.S., Ohio districts usually spend more, particularly on utilities. Since FHLSD is close to the AS&U benchmark and below its peers, the Districts efforts to minimize non-instructional costs related to facilities and grounds maintenance are reflected in these figures.

## Recommendations

**R4.1 Using the Ohio School Facilities Commission (OSFC) assessment report as a starting point, FHLSD should develop a comprehensive facilities master plan. The plan should reflect current building configurations and needs and should contain other key elements such as enrollment projections and capacity analyses. The plan should serve as a road map for addressing future facility needs and planned educational programs, and be linked to the District's overall strategic plan (see R2.1). The master plan should be developed by a committee whose membership comprises a cross-section of school personnel, parents, students, and community members.**

**To help implement its facilities master plan, the District should develop a formal five-year capital improvement plan (capital plan) which is updated on an annual basis to ensure that critical repairs or equipment replacements are completed. The capital plan should include a project categorization and prioritization system that provides management with cost estimates, project timelines, and a breakdown between maintenance tasks and capital projects. Doing so would help ensure timely completion of work and minimization of safety hazards and building deterioration. The committee should present the FHLSD Board of Education (the Board) with an overall plan which includes staff responsibilities, action steps, timelines, and resources necessary to achieve its goals.**

The District does not have a comprehensive facilities master plan that includes long- and short-term goals. In 2004, the OSFC completed an assessment report of District facilities which included recommendations for building closures, renovations, repairs, and construction. During the performance audit, the District contacted OSFC to explore options for its facilities and to develop a new facility master plan.

According to *Creating a Successful Facilities Master Plan* (DeJong, 2001), school districts should develop a long-term facilities master plan. The plan should contain information on capital improvement and financing, preventative maintenance and work order processes, overall safety and condition of the buildings, enrollment projections, and capacity analyses. The plan should be developed on a foundation of sound data and community input, and should incorporate facility conditions and demographics. The desired educational program should be the driving force. As a road map for addressing the District's facility needs, the master plan should specify the projects that have been identified, the timing, sequence of the projects and their estimated costs. A district-wide facility master plan is typically a 10-year plan. It should be updated periodically to incorporate improvements that have been made, changes in demographics, or changes in educational programs.

According to *Preventative Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000), a capital improvement program is a schedule of capital improvement projects, listed in priority order, over a number of years (usually five or more). 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 a specific course of action the jurisdiction intends to take. Capital improvement programs typically include remodeling and new construction as well as major maintenance projects.

Educators, administrators, policy-makers, and community members should collaborate on the development of the master plan. The completed plan will then provide a means for communicating the District's future vision about its facilities and learning space to the community. The facility plan should include all the data collected to date, as well as strategies for implementation for the projects, including timelines, costs, and additional recommendations. It should be accompanied by a five-year capital improvement plan to guide specific actions in the near-term. When complete, it should be presented to the Board by the steering committee. By developing a comprehensive facility planning process supported by a five-year capital plan, the District is better positioned to advance its educational mission through the quality and configuration of its facilities.

**R4.2 The District should use the OSFC report as a starting point to initiate an audit of its facilities. The District should audit its facilities annually to ensure accurate information for short- and long-term decisions, including preventive maintenance and replacement of aging equipment. Furthermore, the District should develop a formal method of retaining the information collected through facilities audits, OFSC reports, and work orders that are completed. Retention of these records could be implemented by maintenance personnel using spreadsheet programs, which can be updated periodically as the condition or nature of District facilities change. The spreadsheet should also be used to formally track preventive maintenance schedules and work order requests.**

FHLSD records its building conditions through a facilities checklist, completed by classroom teachers, which records the condition of the classrooms and needed repairs. The District had a facility audit completed in May 2004 as a part of the OSFC assessment report. OSFC analyzed the condition of all the District buildings and the study included capacity and building utilization. However, the District indicated that it does not conduct formal facility audits, or maintain a formal record of District's facilities conditions outside of the work performed by OSFC. In addition, the District does not have a formal preventive maintenance schedule for the routine maintenance of its facilities and equipment.

*The Planning Guide for 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 school district's buildings. The audits are 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 know the condition of facilities, service history, maintenance needs, and location. The audits rely on facts, not 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, each year's data can be used as a baseline and make the next year's audit task easier.

The NCES further notes that by integrating the findings of annual audits over time, planners can ascertain realized product 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 in the future.

Finally, NCES recommends that all school districts have a formal preventative maintenance program. Many school districts, like FHLSD, practice what is known as "breakdown maintenance," whereby maintenance problems are typically fixed as they occur. This method can often defer major repairs and allow damage to compound over time. Preventive maintenance, on the other hand, focuses on regularly scheduled equipment maintenance to prevent sudden unexpected equipment failure. A well-designed facility management system generally encompasses four categories of maintenance, including: emergency (or response), routine, preventive, and predictive. Preventive maintenance tasks can be schedule on an electronic calendar or spreadsheet and are generally based on manufacturer recommended service intervals.

Through examining its facilities on an annual basis and using a formal schedule for preventive and routine maintenance, FHLSD will be better able to plan and budget for capital expenses. As the District recently transferred millage to its Permanent Improvement Fund, improved planning and routinization of maintenance and facility upkeep will ensure prudent use of these funds.

**R4.3** Based upon FHLSD's building capacity and utilization rates, the District should seek to reconfigure its building layout and close underutilized buildings. At a minimum, the District should reconfigure the middle school to include fifth through eighth grades and consolidate its two elementary schools for preschool through fourth grades into a single building. Reconfiguration and the closure of one elementary school would increase middle and elementary school utilization rates and result in substantial cost savings for the District.

An alternative option, proposed by District administration and some Board members, would be to consolidate all grades into a single campus by moving all students to the middle/high school campus. To do this, the District could house pre-kindergarten through sixth grade in the middle school building, and grades 7 through 12 in the high school building. Although this option would cause high utilization rates, it would increase the savings from building closures substantially and bring FHLSD closer to its facility master plan of consolidating all students into a single location. In the future, FHLSD may wish to consider adding rooms to its existing building or formally repurposing space. FHLSD Board members also proposed using portable classrooms to achieve this configuration.

Although both of these options would decrease the District's overall maintenance and operations expenditures, as well as decrease custodial, administrative, clerical, and food service positions, the declining enrollment trend within the District indicates that the single campus option might be of the greatest advantage to FHLSD. In addition to creating a greater cost reduction, a single campus would allow FHLSD to address its facilities issues in a single year, rather than returning to the issue of building closures as its enrollment drops further in future years. Implementation of either option should be included within the District's comprehensive facilities master plan (see R4.1).

The District's enrollment has been declining for the previous 10-year period, with the greatest decrease being in the elementary grade-levels. According to ODE, the District's FY 2006-07 enrollment was reported as 1,312 students, which represents a decrease of approximately 21 percent since FY 1996-97. Over the 10-year period, the average annual decrease was approximately 2 percent. According to ODE's historical enrollment trends, the District's enrollment will continue to decline through FY 2015-16.

**Table 4-5** illustrates the District's capacity compared to its headcount in order to show actual building utilization rates in FY 2005-06.

**Table 4-5: FY 2005-06 Building Capacity and Utilization Analysis**

Building	Building Capacity	2006 Headcount <sup>1</sup>	Over/ (Under) Capacity	Building Utilization Rate	Class-rooms	OSFC Renovation Costs	Age of Oldest Building Component
Amesville Elementary	500	309	(191)	61.8%	18	\$4,500,000	79
Coolville Elementary	550	245	(305)	44.6%	21	\$3,103,000	77
<b>Elementary School Total</b>	1050	554	(496)	52.8%	39	\$7,603,000	78
Middle School	701	260	(441)	37.1%	33	\$1,807,000	10
High School	638	405	(233)	63.5%	27	\$3,358,500	39
<b>Total for All Buildings</b>	<b>2,389</b>	<b>1,219</b>	<b>(1,170)</b>	<b>51.0%</b>	<b>99</b>	<b>\$10,961,500</b>	<b>N/A</b>

Source: Federal Hocking LSD

<sup>1</sup> This headcount has been updated to reflect the most current headcount, as of December 2006, provided by the District.

**Table 4-5** shows FHLSD's low utilization rates -- only 51 percent district-wide in FY 2005-06, as opposed to the optimal rate of 85 percent. Also, due to declining enrollment and static capacity, the District's rate of under-utilization increases each year. **Table 4-6** further shows the projected enrollment trends for the District based upon historical enrollment trends from ODE through FY 2015-16. During the course of the audit, the District's enrollment projections were being updated by DeJong and Associates, Inc. as part of the OSFC's process for updating the District's facility master plan.

**Table 4-6: FHLSD Projected Enrollment Trends Through FY 2015-16**

Year	Projection (Trend Analysis for Kindergarten: Cohort for All Other Grades)													Total
	K	1	2	3	4	5	6	7	8	9	10	11	12	
FY 2007-08	76	81	85	80	80	86	88	86	89	104	100	114	103	1,172
FY 2008-09	74	79	82	83	79	77	86	88	84	91	98	97	106	1,124
FY 2009-10	72	77	79	80	83	76	77	86	86	86	86	95	90	1,074
FY 2010-11	70	74	77	78	80	80	76	77	84	88	81	83	88	1,038
FY 2011-12	68	72	75	76	78	77	80	76	75	86	84	79	77	1,003
FY 2012-13	66	70	73	74	76	75	77	80	74	77	81	81	73	976
FY 2013-14	64	68	71	72	74	73	75	77	77	76	73	79	75	953
FY 2014-15	62	66	69	70	72	71	73	75	75	80	72	71	73	926
FY 2015-16	59	64	66	68	69	69	71	73	73	77	75	70	66	899

Source: AOS projections based on ODE historical enrollment figures

**Table 4-6** shows that, if the District's declining trend continues, enrollment will be fewer than 900 students by FY 2015-16. Over the 10-year period, all class sizes are projected to decrease by between 15 and 43 students each year. Declining enrollment will become more apparent in the District's current configuration as elementary school building populations shrink to under 50 percent of capacity by FY 2010-11. In this year, the total

elementary enrollment (not including Pre-Kindergarten) is projected to be approximately 460 students while the capacity for the two buildings is over 1,000 students.

In order to reduce excess capacity and the costs associated with operating under-capacity building, FHLSLSD should consider one of the two following options.

#### Option 1

Reconfiguring the middle school to include the District's fifth grade classes would allow FHLSLSD to consolidate its two elementary schools. For the District, this would generate a significant maintenance and operations cost savings based on reductions in utilities, supplies, maintenance, and capital outlay expenditures. Also, there would be a reduction in staffing of one building principal, one clerical position, one custodian, and two food service positions.

**Table 4-7** displays the impact on building utilization rates by consolidating grades pre-kindergarten through fourth grade in one elementary school and reconfiguring the middle school to include the fifth grade.

**Table 4-7: Adjusted Building Capacity and Utilization for Consolidated Elementary School**

Building	Building Capacity	2006 Headcount	Over/(under) Capacity	Building Utilization Rate	Classrooms
Elementary School Total	550	469	(81)	85.3%	21
Middle School Total	701	345	(356)	49.2%	33
High School Total	638	405	(233)	63.5%	27
<b>Total for All buildings</b>	<b>1,889</b>	<b>1,219</b>	<b>(670)</b>	<b>64.5%</b>	<b>81</b>

Source: FHLSLSD and AOS

**Table 4-7** shows that consolidating grades pre-kindergarten through 4 into one elementary increases the utilization rate for the elementary school to 85 percent; however, the utilization rate remains low in the middle and high schools. This option increases overall building utilization from 51 percent to 65 percent.

#### Option 2

During the audit, members of the District's Board and administration indicated that FHLSLSD planned, at some future date, to add rooms to their middle/high school (central campus) so that all students could be served at a single, geographically central location. This was in part due to concerns about the community's negative reaction to closing one of the elementary schools. In FHLSLSD, the middle/high school campus is centrally located

but each elementary school is near the far opposite ends of the District. Board members noted that some parents had expressed concerns over the increased distance students would have to travel to the remaining elementary school. District officials expressed concerns that, as a result of the closure, parents might elect to enroll their children in a neighboring school district which would negatively impact FHLSA.

Reconfiguring the middle school and high school to move all students to one campus would allow FHLSA to close both elementary schools. To accomplish this, the seventh and eighth graders would need to be moved to the high school portion of the building and all other grades would be located in the middle school portion. This would generate a significant maintenance and operations cost savings from closing both of the elementary schools. The cost savings would be based on reductions in utilities, supplies, maintenance, and capital outlay expenditures. A reduction in staffing of one building principal, two clerical positions, three custodians, and four food service positions would also be possible. In addition, this option would alleviate concerns about travel times for elementary school students and position FHLSA to more fully use its central campus facilities as its enrollment declines.

**Table 4-8** displays the impact on building capacity and utilization of moving all students to a single campus. This reconfiguration places grades pre-kindergarten through 6 in the middle school building and grades 7 through 12 in the high school building.

**Table 4-8 Adjusted Building Capacity and Utilization for Single Campus**

Building	Grades	Building Capacity	2006 Headcount	Over/(under) Capacity	Building Utilization Rate	Number of Rooms
Original Middle School	K-6	700	639	(61)	91.3%	28
Original High School	7-12	638	580	(58)	90.9%	27
<b>Total for All buildings</b>	<b>N/A</b>	<b>1,338</b>	<b>1,219</b>	<b>(119)</b>	<b>91.1%</b>	<b>55</b>

Source: FHLSA and AOS

Note: The number of classrooms and corresponding capacity of the middle school was recalculated using DeJong methodology for elementary schools.

**Table 4-8** shows that consolidating to single campus greatly increases the utilization rate for both the middle school and the high school. The District could also consider adding additional classroom space through the purchase of portable classrooms. Assuming that each portable has two classrooms, the overall utilization would decrease to 88 percent with one portable and 85 percent with two portables. The US Environmental Protection Agency notes that portable or re-locatable classrooms have been a feature of many school districts for years. From a district's perspective, the two advantages of portable classrooms are low initial cost and short time between specification and occupancy. They are intended to provide flexibility to school districts, enabling quick response to

demographic changes, and providing the ability to be moved from one school to another as demographics change.

The higher utilization rate may impact FHLSD's ability to set aside classrooms for special classes like art, music, and computer labs. These activities would either need to be provided in the "home room" or in a portable classroom if the District chooses to purchase or lease portable units.

An illustration of a potential configuration for grades K-12 using the central campus was provided to the Board and FHLSD administrators during the course of the audit. As it represents only one potential configuration, FHLSD should develop its own plan if it chooses to move all students to the central campus. Several factors may affect the final configuration. For example, FHLSD High School uses block scheduling which may impact room usage. Similarly, if the District chooses to purchase or lease portable classrooms, it would be able to retain more of its special purpose classrooms and space and would not need to repurpose as many rooms.

***Financial Implication:***

Option 1: If the District were to close one elementary school, FHLSD could generate an annual savings of approximately \$75,000 in maintenance and operations expenditures and approximately \$183,000 in salaries and benefits expenditures. This would result in a total potential cost savings of approximately \$258,000. The reconfiguration of the fifth grade would not result in additional costs or cost savings.

Option 2: If the District were to close both elementary schools, FHLSD could generate an annual savings of approximately \$157,000 in maintenance and operations expenditures and approximately \$312,000 in salaries and benefits expenditures. This would result in total potential cost savings of approximately \$470,000.

It should be noted that additional transportation costs or savings associated with either option could not be quantified, due to unknown factors.

**R4.4 The District should continue to seek to reduce overall maintenance and operations expenditures by disposing of excess properties that are not being used for instructional purposes. This would eliminate the costs associated with retaining ownership of the properties, such as insurance, maintenance, and utility costs.**

FHLSD owns two buildings not in use by the District – an unused building in Amesville which is vacant, and a middle school complex in Stewart that is leased by a third party. The 10,080 square foot Amesville building is a separate single-story elementary school built in 1956. It was mostly recently used as additional instructional space for Amesville

Elementary School's gifted and talented program, which was moved to the main elementary building in May 2006. According to the OSFC, it would cost about \$1.3 million to renovate this structure. The 35,497 square foot middle school complex, consisting of four separate buildings, is located in the town of Stewart, and was used by FHLSD up to June 1997. Since May 2003, the Federal Valley Resource Center (FVRC) has leased the complex for an annual payment of \$1. The lease stipulates that the District was responsible for some percentage of the complex's utilities until May 2006, at which time the FVRC assumed complete liability for all costs associated with leasing the property. Consequently, in FY 2006-07, the District had no costs associated with leasing the structure, although FHLSD could be required to pay some of the utility costs under the terms of the lease. The Board President indicated that the District is looking into selling its excess property.

*A Guide for the Adaptive Use of Surplus Schools* (Giljahn & Matheny, 1981) notes that although a number of districts are experiencing declining enrollment there has not been a corresponding decline in cost per pupil facilities expenditures. In fact, the cost of operating half-empty schools is particularly wasteful as many of the basic expenses at these schools continue as if the buildings were fully occupied. Almost as many teachers and custodial workers are required to staff a partially used school, and neither utility bills nor debt service charges decrease along with enrollment.

Faced with the aforementioned scenario, many school administrators have generally recommended the closing of surplus facilities as the simplest and most inexpensive immediate solution. Consolidation of students and educational resources has immediate benefits including:

- Balancing of class sizes;
- Sharing of educational materials;
- Staff reductions;
- Better use of specialists;
- Easier supervision of the program; and
- Fewer dollars spent on fuel, maintenance, and personnel.

Giljahn and Matheny identify three strategies, aside from demolition, which districts may pursue in order to recognize the abovementioned benefits. These strategies include: mothballing, lease, and sale.

- **Mothballing** – This option allows a district to retain unused property until the space is needed again or the buildings' future disposition can be determined. There are some initial costs to this option, typically for securing the facility, as well as ongoing costs for maintenance, utilities, security, and repair.

- **Leasing** – This option allows a district to rent a facility to another entity, typically government or non-profit, while still retaining ownership of that facility in the event that future increasing enrollments would necessitate the district use. Advantages of leasing include: facilities may be reclaimed thus hedging against future enrollment increases; the community may benefit from services provided by a local non-profit or government agency; and income is obtained from otherwise unused space. Disadvantages include: many ownership costs, such as maintenance, continue; though not used as a school, the property does not generate tax revenue; and district administrators are typically not prepared to act as property managers.
- **Selling** – This option allows a district to transfer unused facilities to the private sector, often with a guarantee that the facility will be rehabilitated for a specific use. As selling is a permanent option, a district must be careful to ensure that it has enough excess space to accommodate fluctuations in enrollment. Advantages of selling include: upkeep costs are eliminated; the property is returned to community tax rolls; building preservation may be ensured which could also have a positive impact on the community; and the district will obtain a financial return on otherwise unused space. Disadvantages include: school buildings may have low market value and limited zoning designation; the district may have planned poorly and will need the building again which could lead to unnecessary construction; and the district may be unable to determine the sales impact on the community.

Should FHLSD successfully dispose of excess property, it could reduce costs associated with retention of the unused properties. Furthermore, FHLSD would be able to recognize benefits from the consolidation of facilities as described in **R4.3**.

**R4.5 The FHLSD Board should implement a formal energy conservation policy that addresses increasing energy usage and costs. Within this policy, the District should standardize and formalize its energy conservation measures, energy purchasing practices, and energy monitoring procedures, as well as articulate its plan to educate employees and students in conservation oriented behaviors. By developing and implementing a policy that contains these elements, the District could reduce its energy costs and generate additional energy cost savings over the long-term.**

According to District personnel, a formal energy conservation policy was proposed to the Board within the last year. One proposal was to limit the time buildings were open for operation during the week and require complete closure during the weekends. This would specifically address electricity conservation. However, no formal energy conservation policies or program has been adopted by the Board.

FHLSD uses building automation systems and contracts with Siemens Building Technologies to do routine maintenance and periodic checks on its building automation system. This is the only process that FHLSD has used for monitoring and/or controlling energy costs. However, between FY 2004-05 and FY 2005-06, the District's utility costs increased 42 percent from \$0.90 per square foot to \$1.28 per square foot. During that period, electricity costs increased by approximately 24 percent and natural gas costs increased 144 percent. As evidenced by rising expenditures, FHLSD's limited energy conservation efforts have not been successful in reducing costs. While the District does not have any formal policies, it is aware of the issue and is currently examining ways to lower costs. Finally, FHLSD does not have an educational plan within the District to educate students and employees about methods to reduce energy usage and costs.

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

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

According to *Energy-Efficient Education* (Texas School Performance Review, 2001), the bottom line for most energy management programs is getting the people who control the energy-using equipment to understand how they are involved in the overall conservation of energy. For example, by developing policies and programs to promote and reward student and staff participation in energy conservation, the Spring Independent School District (Spring ISD) in Houston, Texas achieved energy savings. Spring ISD developed a rebate program that rewards each school for efficient energy use by sharing savings with any school that reduces its usage below the budgeted amount. The school receives a check for 50 percent of the savings amount. Spring ISD's Office of Construction and Energy reviews actual energy costs against budgeted amounts and sends a monthly report

to each school. Principals encourage students and staff to participate in activities such as turning off lights and closing doors when leaving a room to retain conditioned air in the classrooms. Some principals have encouraged operations staff by sharing cost savings with the mechanics. Spring ISD has saved from 7 to 14 percent per year for the five years of the rebate program.

A local example of a cost saving energy conservation education program is an information and reminder program in place at Lakota Local School District's (LLSD) Union Elementary School. Union Elementary has an energy conservation education program which consists of lists of energy conservation reminders being placed on or near all office equipment and energy consuming items. In addition, Union Elementary reiterates these reminders to students, parents, and community members through their continued inclusion in the building's community newsletters. These energy conservation education measures were credited for producing savings for Union Elementary of approximately 21 percent relative to LLSD's average elementary building.

The DOE estimates that some degree of energy awareness typically generates an immediate 1 to 3 percent operational savings. By developing a formal energy conservation program and implementing measures to address energy usage within the District's facilities, FHLSO could likely lower its annual utility costs. Furthermore, if FHLSO were to implement the practices used by Union Elementary, it could potentially save about 15 percent of current electricity expenditures.

**Financial Implication:** By developing a formal energy conservation program that addresses energy usage and cost reduction measures within the District, FHLSO could likely generate an immediate cost savings of 1 to 3 percent, which amounts to about \$2,000 in gas utility savings. Additionally, the District could generate an estimated \$28,000 in electrical utility savings by increasing energy conservation awareness and education program throughout the District in a manner similar to used by Union Elementary. The total estimated cost savings achieved through improved energy management would be about \$30,000.

- R4.6 The District should develop and implement a mechanism for tracking supply and labor costs for work orders, which would allow costs to be captured on a per-building or per-task basis. Capturing costs in this manner would result in a more accurate determination of the annual cost of building maintenance. Furthermore, the District should formalize procedures for its work-order system to enable the Building and Grounds Department to streamline and standardize the method in which work orders are prioritized and completed. By formalizing work order procedures, the District could ensure that all work is being assigned in the most effective and efficient manner.**

The District has a manual work order system in which written work order forms are generated and submitted to the buildings' principals for approval. Staff requesting repairs complete a form that captures information on the location and nature of the job requested. After the work order is approved by the principal and the priority level of the task is determined, the work order form is either forwarded to the head custodian of the building or the Maintenance Supervisor. After the work is completed, the responsible custodial employee or Maintenance Supervisor signs and dates the form indicating that the job is complete and returns the work order to the principal. The form is then filed.

The District's work order system does not track supplies and labor costs for completed jobs. According to the District, the Department usually goes over budget because it is difficult to predict the cost of District maintenance activities.

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 was done, and track the cost of parts and labor. At a minimum, work order systems should account for the date the request was received, the date the request was approved, a 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.

Upon completion of work, the craftsman records all labor and parts needed to complete the job. The work order is then submitted to the maintenance office for close-out. However, the supervisor must determine that the quality of the work meets or exceeds departmental standards. Upon closing out a work order, all information about the request should be placed in a data bank for future historical and analytical use (determining the yearly cost of building maintenance).

According to the AOS administered survey of District employees, 19 percent responded negatively when asked if work orders are responded to in a timely manner and 13 percent responded negatively when asked if schools are advised of incomplete work orders (see **Appendix 4-A**). This indicates that the District's manual process does not provide an adequate method to assign and monitor work to ensure that it is done in a timely and efficient manner. Likewise, the system in use does not provide adequate information on the status and priority of the job to the individuals requesting work be completed. Improving the tracking process and formalizing procedures would help the Department maintain communication with the requestor and ensure that the priority and expected completion date of the job are clearly communicated.

Also, by not tracking supply and labor costs for the tasks assigned through work orders, the District is not able to accurately capture labor and parts costs on a per-building or per-

task basis. This has led to inaccurate budget estimates and a reduced ability to plan for Departmental expenditures. By capturing costs on a per-building or per-task basis, the District would be in a better position to budget for future tasks. This could be accomplished through existing resources by using an Excel spreadsheet.

**R4.7 Once the District has developed and implemented a formal policies and procedures manual that addresses custodial and maintenance operations (see financial systems and strategic management section), FHLSD should develop and implement a Departmental handbook to disseminate the policy and procedure information. The handbook should address standardized cleaning procedures for all areas that are maintained. Standardizing procedures and supplies will increase efficiency in custodial and maintenance operations and ensure that all District facilities are appropriately and consistently maintained.**

The District does not have formal custodial and maintenance operations procedures that specify the techniques and products used for various job duties. Departmental personnel indicated that they rely on FHLSD's new employee orientation process of shadowing an existing employee to learn the District's procedures. In addition, custodial personnel do not receive on-going training (see **R4.8**).

According to the AOS administered survey of District employees, when asked if the District's facilities were properly cleaned, 32 percent responded in the negative; when asked if the custodial and maintenance personnel provide quality services, 23 percent responded in the negative. (See **Appendix 4A** for full survey results).

The *Custodial Methods and Procedures Manual* (Association of School Business Officials International, 2000) states that a manual can serve as a guideline for developing procedures for custodial and maintenance personnel. It should outline staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. In addition, the International Sanitary Supply Association has developed a training program manual designed to help train custodians. The program details the correct cleaning methods, as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;

- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Without a formal custodial and maintenance handbook that details the District's policies and procedures for cleaning and maintaining its facilities, FHLSD increases the risk of staff inconsistently, inefficiently, and/or ineffectively performing job functions (see **R4.9**). Improved consistency, achieved through District-wide custodial and maintenance procedures, would enhance the effectiveness of the custodial and maintenance personnel and reduce the costs associated with equipment and supplies.

**R4.8 FHLSD should consistently provide on-going training for new standards, routine procedures, and new-employee orientation. In addition, the District should maintain formal training procedures, which can be included as part of the Department-wide procedures handbook (see R4.7).**

Although FHLSD provides some informal training of employees when standards are changed or new equipment is purchased, District personnel indicated that they do not have a training manual for standard and routine procedures or new-employee orientation. The District indicated that there has been limited turnover within the Department so a significant amount of training has not been necessary.

According to the publication *Planning Guide for Maintaining School Facilities* (NCES, 2003), newly hired personnel should receive the following types of training as soon as possible after joining the organization:

- Orientation of the organizations facilities;
- Orientation of the person's work area;
- Equipment instructions;
- Task-oriented lessons;
- Expectations; and
- Evaluation information.

Preparing staff to perform their work properly, efficiently, and safely is cost-effective in the long-run. On-going staff training provides learning opportunities designed specifically to help the employee do his or her job better. At times, this training amounts to expanding knowledge and awareness to areas outside an employee's specific job duties; for example,

asbestos awareness, energy systems, first aid, emergency response, technology use, and biohazard disposal.

Providing consistent training for the Department would ensure that the staff receives uniform instruction on the use of equipment and application of cleaning products. Furthermore, by consistently providing on-going training, the District could increase staff efficiency and decrease the risk of on-the-job injuries.

**R4.9 To improve survey ratings on service quality, building cleanliness, and employee demeanor, FHLSA should enhance its supervisory oversight of custodial staff. The Maintenance Supervisor should collaborate with building principals to ensure that adequate supervision of custodial personnel occurs within their buildings. While principals are not responsible for advising custodial employees how to clean, they can provide direction regarding areas that are not being maintained at a satisfactory level.**

The District's custodial personnel report directly to the Maintenance Supervisor. However, according to the District's job descriptions, custodians report to building principals for daily supervision. According to the AOS administered survey, 26 percent of respondents responded in the negative when asked if custodial tasks are completed efficiently. When asked if custodial and maintenance employees deliver quality services, 23 percent responded in the negative. In addition, 32 percent of employees responded that facilities were not properly cleaned and 19 percent responded in the negative when asked if work orders are responded to in a timely manner. These responses could be indicators of a lack of adequate supervision or performance feedback.

According to OPPAGA, districts should implement accountability mechanisms to ensure efficiency of maintenance and operations, which includes the development of a comprehensive set of measures to evaluate overall effectiveness. Accountability measures help school districts ensure that personnel are performing their duties in an appropriate and conscientious manner.

Without adequate supervision, the District increases the risk of inconsistency within the Department and among its school buildings. Also, without including adequate accountability mechanisms in the custodial and maintenance handbook and training program (see **R4.7** and **R4.8**), District personnel may not maintain FHLSA's facilities in the most efficient manner. Overall stakeholder satisfaction with custodial performance could be improved by providing consistent custodial and maintenance supervision and requiring a greater level of accountability from Department personnel.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report.

### Summary of Financial Implications in Facilities Section

Recommendation	Cost Savings of Implementation
R4.3 Reconfigure Building Utilization	\$258,000 - \$470,000
R4.5 Implement Formal Energy Conservation Policy	\$30,000
<b>Total</b>	<b>\$288,000</b>

Source: AOS

## Appendix 4-A: Employee Survey Responses

AOS administered an employee survey to FHLSLSD's approximately 190 employees to obtain feedback and perceptions concerning facilities issues. The survey was completed by 105 employees, 99 (94 percent) of which completed the facilities section of the survey. The overall participation rate for the AOS survey was approximately 55 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 4-A1** illustrates the results.

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

Survey Questions	Survey Results
<b>1. Work orders are responded to in a timely manner.</b>	
Strongly Disagree	2%
Disagree	17%
Neutral	20%
Agree	43%
Strongly Agree	9%
<b>2. Custodial and maintenance employees deliver quality services.</b>	
Strongly Disagree	2%
Disagree	21%
Neutral	16%
Agree	41%
Strongly Agree	18%
<b>3. Emergency work orders are given top priority.</b>	
Strongly Disagree	0%
Disagree	5%
Neutral	16%
Agree	41%
Strongly Agree	21%
<b>4. Schools are notified in advance of work to be performed.</b>	
Strongly Disagree	2%
Disagree	14%
Neutral	24%
Agree	36%
Strongly Agree	5%
<b>5. Schools are advised of incomplete work orders.</b>	
Strongly Disagree	2%
Disagree	11%
Neutral	35%
Agree	23%
Strongly Agree	2%

Survey Questions	Survey Results
<b>6. Work is scheduled so it is not disruptive.</b>	
Strongly Disagree	1%
Disagree	11%
Neutral	20%
Agree	49%
Strongly Agree	8%
<b>7. Workers are careful near children.</b>	
Strongly Disagree	0%
Disagree	1%
Neutral	11%
Agree	54%
Strongly Agree	30%
<b>8. Overall, I am satisfied with the maintenance department.</b>	
Strongly Disagree	4%
Disagree	10%
Neutral	21%
Agree	41%
Strongly Agree	23%
<b>9. The regular cleaning schedule appears to be appropriate.</b>	
Strongly Disagree	4%
Disagree	19%
Neutral	17%
Agree	42%
Strongly Agree	15%
<b>10. Custodial tasks are completed efficiently.</b>	
Strongly Disagree	4%
Disagree	22%
Neutral	21%
Agree	33%
Strongly Agree	17%
<b>11. Facilities are properly cleaned.</b>	
Strongly Disagree	9%
Disagree	23%
Neutral	14%
Agree	37%
Strongly Agree	15%
<b>12. Custodians are polite and have a good work ethic and attitude.</b>	
Strongly Disagree	2%
Disagree	5%
Neutral	13%
Agree	44%
Strongly Agree	34%

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Survey Questions	Survey Results
<b>13. There appears to be a sufficient number of custodians in my building.</b>	
Strongly Disagree	10%
Disagree	44%
Neutral	16%
Agree	23%
Strongly Agree	4%

Source: FHLSD and SurveyMonkey.com

Note: Survey results will not sum due to rounding and skipped responses.

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# Transportation

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## Background

This section of the performance audit assesses the Federal Hocking Local School District's (FHLSD or the District) transportation operations. **Appendix 1-A** provides a summary of the audit objectives for the transportation section. Throughout this section, FHLSD's operations are evaluated against best practices and operational standards from the Ohio Department of Education (ODE), the Ohio Administrative Code (OAC) and Ohio Revised Code (ORC), the Association of School Business Officials International (ASBO), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), and peer districts.<sup>1</sup> Furthermore, AOS administered a survey to FHLSD's employees regarding transportation services and the results of the survey were used in this report. Survey questions and results can be found in **Appendix 5-A** at the end of this section.

ORC § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to its students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. Finally, when required by an Individualized Education Program (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of each child.

FHLSD's transportation service is managed by the Transportation Supervisor. The District reported to ODE that it provided Type I pupil transportation services to 1,226 regular needs and 21 special needs riders in FY 2005-06. Type I services pertain to those provided on Board-owned yellow buses and comprise the majority of transportation-related costs for which school districts are reimbursed by ODE. Due to the rural nature and lack of sidewalks in the District, FHLSD provides transportation to nearly all of its students (see **R5.1**). Therefore, the District's transportation service level is higher than required by the ORC.

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<sup>1</sup> See **executive summary** for a description of the 10 peer district average used as a benchmark throughout this report.

*Historical Data*

**Table 5-1** displays three years of transportation expenditures as reported by FHLSD on the T-2 Report submitted to ODE. Expenditures are also shown as a percentage of the total transportation budget.

**Table 5-1: FHLSD Three Year Cost Allocation Comparison**

	<b>FY 2003-04</b>	<b>Percent of Total</b>	<b>FY 2004-05</b>	<b>Percent of Total</b>	<b>FY 2005-06</b>	<b>Percent of Total</b>
Supervisor Salary	\$34,701	3.4%	\$37,172	3.3%	\$39,255	3.8%
Regular Driver Salaries	\$314,745	31.1%	\$341,876	30.8%	\$293,372	28.6%
Substitute Driver Salaries	\$61,877	6.1%	\$63,197	5.7%	\$75,802	7.4%
Mechanic Salaries	\$67,401	6.7%	\$76,000	6.8%	\$70,126	6.8%
Retirement	\$69,376	6.9%	\$51,739	4.7%	\$44,761	4.4%
Workers' Compensation <sup>1</sup>	\$4,575	0.5%	\$6	0.0%	\$6,402	0.6%
Employee Insurance	\$231,473	22.9%	\$238,514	21.5%	\$223,179	21.8%
Physical Exams and Drug Test	\$2,415	0.2%	\$2,115	0.2%	\$1,248	0.1%
Certification and Licensing Cost	\$250	0.0%	\$245	0.0%	\$0	0.0%
Training (All)	\$1,476	0.1%	\$1,614	0.1%	\$871	0.1%
<b>Personnel Subtotal</b>	<b>\$788,289</b>	<b>77.9%</b>	<b>\$812,929</b>	<b>73.2%</b>	<b>\$755,016</b>	<b>73.6%</b>
Maintenance and Repairs	\$55,868	5.5%	\$63,343	5.7%	\$55,651	5.4%
Tires and Tubes	\$18,161	1.8%	\$15,319	1.4%	\$14,497	1.4%
Fuel	\$106,384	10.5%	\$185,814	16.7%	\$166,687	16.3%
Bus Insurance	\$39,359	3.9%	\$28,009	2.5%	\$27,323	2.7%
Utilities	\$4,473	0.4%	\$5,458	0.5%	\$6,125	0.6%
<b>General Operations Subtotal</b>	<b>\$224,245</b>	<b>22.1%</b>	<b>\$297,943</b>	<b>26.8%</b>	<b>\$270,283</b>	<b>26.4%</b>
<b>Total Expenditures</b>	<b>\$1,012,534</b>	<b>100.0%</b>	<b>\$1,110,872</b>	<b>100.0%</b>	<b>\$1,025,299</b>	<b>100.0%</b>

Source: FHLSD transportation reports obtained through ODE

<sup>1</sup> FY 2004-05 was reported incorrectly, the reported amount should have been \$3,971 (see **R5.3**).

As shown in **Table 5-1**, personnel expenditures equated to 73.6 percent of the total transportation expenditures in FY 2005-06. The majority of personnel expenditures consist of the driver's salaries and benefits. Although personnel costs are expected to be a large portion of the total transportation expenditures, this percentage could be reduced by renegotiating the classified contract at its renewal date on June 30, 2009. The contract currently guarantees the District's bus drivers seven hours per day which is higher than leading practices suggest (see **R5.4**). The only category that decreased over the entire three-year period was bus insurance. This decrease was due to the District negotiating a lower premium with its insurance carrier. Fuel and maintenance and repair expenditures appear to be driving costs, and, as a result, these are the expenditures the District should focus on in reducing general operations expenditures (see **R5.5** through **R5.8**).

### Operational Statistics and Cost Indicators

**Table 5-2** compares FHLSD's key operating statistics to the peer district average for FY 2005-06. The requirements for counting and reporting riders is outlined in OAC § 3301.83 and ORC § 3317.022. It should be noted that FHLSD ridership data could not be verified as the District did not calculate its special needs students or its regular needs students in accordance with the ORC and OAC requirements. In addition, the District transports students to four non-public schools, but does not report these riders on its T-1 Report. (See **R5.3** for recommendation regarding transportation data reporting). Therefore, the operational ratios depict the figures reported by FHLSD to ODE, but the data does not fully capture the District's operations.

**Table 5-2: Key Operational Statistics – FY 2005-06**

	FHLSD	Peer Average	Variance	Percentage Variance
<b>Demographics</b>				
Square Miles	207	102	105	103.3%
Enrollment	1,312	1,597	(284.6)	(17.8%)
Enrollment per Square Mile	6.3	16.5	(10.2)	(61.7%)
Population Density	40.0	98.1	(58.1)	(59.2%)
<b>Riders (Yellow Bus Riders (Type I))</b>				
• Public	1,226	1,251	(25.4)	(2.0%)
• Non-Public	0	32.5	(32.5)	(100.0%)
• Community School	0	0.4	(0.4)	(100.0%)
• Special Needs	21	4.3	16.7	388.4%
Total Yellow Bus Riders	1,247	1,288.6	(41.6)	(3.2%)
Percent Public Riders	98.3%	95.2%	3.1%	N/A
Percent Special Need Riders	1.7%	0.3%	1.4%	N/A
Riders per Square Mile	6.0	15.7	(9.7)	(61.8%)
Riders as a percent of Enrollment	95.0%	95.2%	(0.2%)	N/A
<b>Buses</b>				
• Active Buses	20	17	3	17.6%
• Spare Buses	7	5	2	52.2%
Yellow Bus Riders per Active Bus	62.4	70.4	(8.0)	(11.5%)
Spare to Total Bus Fleet Ratio	25.9%	22.8%	(3.1%)	N/A
<b>Miles</b>				
• Annual Routine Miles	498,420	287,766	210,654	73.2%
• Annual Non-Routine Miles	36,504	21,043	15,461	73.5%
Percent of Non-Routine to Routine Miles	7.3%	10.5%	(3.2%)	N/A
Riders per Routine Mile Driven	0.45	0.81	(0.36)	(44.1%)
Routine Miles per Active Bus	24,921	15,484	9,437	60.9%

**Source:** FHLSD and peer transportation reports obtained from ODE

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

**Table 5-2** shows that FHLSD transported 3.2 percent less students than the peer district average while covering a District that is over twice the size of the peer average. FHLSD's yellow bus riders per active bus was 11.5 percent lower than the peer district average which is a result of the large land area the District encompasses, its riders being widely dispersed, and most importantly, its failure to monitor ridership throughout the year to ensure buses are being used to their fullest capacity (see **R5.2**). FHLSD operated approximately three more active buses and two more spare buses than the peer district average. It should be noted that FHLSD reported a significantly greater number of routine miles than its peers which is attributed to the District's size. However, mileage figures, completed by drivers in the first week of October, usually only show total miles, and do not break out the mileage by route.

**Table 5-3** shows a comparison of FHLSD's transportation total expenditures versus the peer district averages.

**Table 5-3: FHLSD and Peer District Average Expenditures FY 2005-06**

	FHLSD	Peer Average	Percentage Difference
<b>Total Expenditures</b>			
• <b>Per Rider</b>	\$822	\$585	40.5%
• <b>Per Active Bus</b>	\$51,265	\$39,763	28.9%
• <b>Per Routine Mile</b>	\$2.06	\$2.64	(22.1%)

**Source:** FHLSD and peer transportation reports obtained from ODE

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

**Table 5-3** shows FHLSD's total FY 2005-06 expenditures per rider and per active bus were substantially higher than the peer district average; however, FHLSD's costs per mile were lower due to the number of miles its buses travel. FHLSD's higher expenditures are attributable to FHLSD's existing bargaining unit agreement which guarantees each driver seven hours a day (see **R5.4**). Also, maintenance and repairs were double that of the peers primarily because of FHLSD's aging bus fleet and the rough roads in the District; however, FHLSD does not follow recommended practices in procuring parts, tracking inventory, or planning and performing preventive maintenance (see **R5.8** and **financial systems and strategic management** section). Finally, purchasing practices and the lack of a no-idle policy are a contributing factor to higher than average fuel expenditures (see **R5.5** and **R5.6**).

## Recommendations

**R5.1 FHLSD's Board should update its transportation policies to indicate the level of service to be provided, taking into consideration the geographic layout and demographic makeup of the District. The Board should seek input from the Transportation Supervisor, other administrators, and the community during this process. Furthermore, the District should ensure that it has written procedures, guidelines, and appropriate forms for granting exceptions to the Board's general transportation policy.**

FHLSD's transportation policy, as it is written, is unclear and does not meet the minimum requirements in ORC § 3327.01. The policy, last updated June 21, 2001 and available on FHLSD's web site, states:

The Board provides transportation for resident elementary students, kindergarten through grade eight, who live more than two miles from school and for all students with physical or mental disabilities for residential high school students who live beyond 2.5 miles from the school, if, upon advice from medical authorities, the disability is such that transportation is necessary or advisable.

The awkward phrasing used in the policy appears to indicate that high school disabled students, who are unable to walk to school, are transported only if they live beyond 2.5 miles from the school. This is more restrictive than the State's minimum requirements.

However, this policy does not reflect the current practice of the District. A review of the transportation service in the District indicates that FHLSD transports all of its students who live more than one-quarter mile from the school due to the rural nature of the District. Finally, although the Board policy states that the Board may create an exception to the service policy provided by FHLSD, if overcrowding occurs or hazardous areas inhibit students from safely walking to school, the policy does not mention the process that one must take to request an exception to the policy.

According to *Key Legal Issues for Schools* (ASBO, 2006), the general operating procedures for school boards should include annual reviews of all new and revised policies to determine whether modifications should be made on the basis of implementation and experiences. In addition, the National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests that school boards develop a set of guidelines that school transportation officials could use in developing a system for identifying school bus route hazards as well as to educate drivers on how to deal with the hazards. These guidelines would make the bus drivers more aware of hazardous areas thereby increasing the safety of the students. FHLSD should consider examining the examples provided by NASDPTS when formulating its policies.

FHLSD's transportation policy should be updated by the Board to reflect the service level it desires to provide in the District. The Board of Education should review the State's minimum standards to ensure that its policy, at a minimum, meets these State standards. Once the new policy is developed and communicated to District residents, the Transportation Department should put the policy into operation through clear, written procedures. A clearer policy and procedures, and adherence to the policy, could help improve the coordination of services and reduce transportation-related costs.

**R5.2 FHLSD should increase bus utilization to 100 riders per bus (50 riders per tier for a 70 percent utilization rate based on a 72 passenger bus). This would enable the District to lower overall transportation expenditures and shift resources towards educating students. In order to increase utilization, FHLSD should require the Transportation Supervisor to monitor ridership every quarter by riding with the buses and counting the students on every route. Any routes that result in under-utilized buses should be amended or consolidated to eliminate buses and achieve maximum ridership.**

**In addition, FHLSD should consider one or several of the following strategies to increase bus utilization:**

- **Rerouting buses on an annual basis to reflect changes in student enrollment to ensure that routes maximize utilization;**
- **Changing the end time of the elementary schools by one-half hour to allow longer route times;**
- **Ensuring Transportation Department input on IEP development for special needs riders;**
- **Implementing a three-tiered routing system; and**
- **Seeking technical assistance from the ODE Office of Pupil Transportation.**

**During the performance audit, FHLSD contacted ODE's Office of Pupil Transportation and requested technical assistance to improve its transportation services. Also, FHLSD's Board approved the reduction of one bus driver for FY 2007-08.**

FHLSD does not monitor ridership throughout the year. The Transportation Supervisor indicated that routes have not changed much in the past several years and that, due to the rural nature of the District and the limited number of major roadways, routes are not revised on an annual basis. Furthermore, there is no written policy or procedure that indicates the method or frequency for monitoring ridership. The bus drivers do not count the students during the first week of October as required by OAC § 3301.83. The only time a route is considered for alteration is if the driver says the bus is too full or if road construction prohibits the bus from traveling its normal route.

FHLSD uses two-tiered routes and cluster stops to ensure safe and more efficient transportation of its pupils. The Transportation Department transports students to three public schools and four non-public or community schools. Both the high school and middle school (housed in the same facility) start at 7:40 a.m. and end at 2:40 p.m. and the elementary schools start at 9:10 a.m. and end at 3:40 p.m. If the school end times were one and one-half hour apart, as the start times are, the District may be able to lengthen the routes thereby enabling the District to increase bus utilization and reduce the number of buses and drivers.

FHLSD is not as efficient in its transportation services as the peers. As seen in **Table 5-2**, FHLSD transported 62.4 riders per active bus, which was 11.5 percent lower than the peer average of 70.4. The District's cost per rider was 40.5 percent higher than the peer average, and its cost per active bus was 28.9 percent higher than the peer average (see **Table 5-3**). Increasing the number of riders on each bus would enable the District to operate fewer active buses and reduce expenses. While the peers are averaging over 70 riders per bus, the American Association of School Administrators recommends that district's with two-tiered routes strive for a bus utilization of 100 riders (50 riders on each tier).

According to Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) *Best Practices*, school districts should provide regular, accurate, and timely counts of the number of students transported. In addition, transportation administrators and supervisors should regularly review the student count information to identify trends and issues that may require managerial or budgetary responses which may result in cost savings presently or in the future.

According to the OPPAGA *Best Practices*, the transportation office should plan, review, and establish bus routes to provide cost efficient student transportation services for all students who qualify for transportation. Best practices and indicators for efficient and effective route planning include the following:

- Annually using a systematic approach to create and update bus routes (including computer routing if appropriate for the size and complexity of the district) and bus stops that are effective and cost-efficient without compromising safety;
- Responding promptly to complaints or suggestions received from school site staff, parents, or the general public about current or proposed bus routes or a driver's performance on an official assignment;
- Not providing service to courtesy students; and
- Adopting staggered school start times to help ensure that each district bus serves as many students as possible (i.e. maximize the district's average bus occupancy).

Failure to monitor bus routes and evaluate the possibility of moving the end time of the elementary schools are examples of inefficiencies in the Transportation Department which cause the District's transportation expenditures to be greater than its peers. Increasing riders per bus will lower the District's transportation expenditures and permit FHLSD to remove buses from the road. FHLSD's costs would decrease by \$27,000 for each bus eliminated.

*Financial Implication:* Increasing the average number of riders to the peer district average of 70 students per bus would eliminate two buses for a \$54,000 decrease in expenditures. If the District achieved a bus utilization rate of 100 students per bus, it could eliminate seven buses for a savings of \$189,000. Because of the time needed to revise routes and improve bus utilization, a conservative reduction of four buses with an annual cost savings of \$108,000 is shown in the financial implication summary.

**R5.3 FHLSD should develop and implement a formal report review process to ensure ridership and expenditure information is reported accurately and pursuant to ORC and OAC requirements. The Transportation Supervisor and the Treasurer should verify the transportation ridership and expenditures before the reports are submitted to ODE for reimbursement. More specifically, the District should consider requiring the Treasurer's Office to complete a final review of the T-Reports prior to submission to ODE. Finally, the Transportation Supervisor and those involved in the review process should attend T-Report training to ensure proper submission of FHLSD's T-Reports.**

FHLSD does not have formal policies and procedures to ensure accurate and timely reporting of transportation T-Report data. The T-1 Report is used to report the transportation service level of the District and categorizes the riders by service types (Type I/Board-owned or Type II/contractor-owned), students by bus type (regular or special needs), and the daily miles for each bus. The T-1 Report also categorizes students living within one mile and those residing further than one mile from their school and the type of school attended (public and non-public or community school). The T-1 Report is completed by FHLSD in the first week in October and submitted to ODE. The bus drivers do not count the students at the beginning of the year as specified by OAC § 3301.83. Rather, the Transportation Supervisor subtracts the number of walkers from the average daily membership (ADM).<sup>2</sup> The OAC states that the students are to be counted the first

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<sup>2</sup> The process described by the Transportation Supervisor was that he identifies walkers by taking addresses of students enrolled in the two elementary schools, and identifying those students who live close to the school (within about one-half mile). Auditors observed several high school students driving to school and these students are not removed from the ridership count. As a result of this process, the number of riders reported by the District is likely inflated which indicates that bus utilization is lower and the cost per rider is higher than the reported data indicates. As such, the District may be able to implement further reductions and obtain additional savings beyond those identified in this report.

full week in October and the average daily riders are to be reported. Following OAC requirements ensures accurate, compliant T-1 Reports.

The District also reported all special needs students riding on a bus which is contrary to OAC § 3301.83, which specifies that a district is to count special needs students as regular students unless the bus has more than 50 percent special needs students. If the District had complied with the OAC, it would have only counted 12 students, not the reported 21 students, as special needs riders. The District also noted that it transported non-public students; however, non-public students were not reported on the T-1 Reports. The District, as a result of this error, could have received excessive reimbursement from ODE.

The Treasurer's Office gives the Transportation Supervisor all fiscal year-end information needed to fill out the T-2 Report. From this information, the regular bus expenses and the special education bus expenses are figured separately as required by the T-2 Report instructions. The percentage of special education buses is used to prorate the cost for the use of special needs buses. Once the Transportation Supervisor has completed the T-2 Report, it is sent to the Treasurer's Office for final approval; however, the Treasurer's Office was unable to supply documentation regarding a review process prior to its submission.

Because the District lacks a formal review process, the submission of the T-Reports is likely to contain errors which could affect its reimbursement amount from the State. In addition to the incorrect special needs students reported, the FY 2004-05 T-2 Report's workers' compensation category was found to be incorrect. In this category FHLSD reported \$6; however, this was an error and the correct amount that should have been reported was \$3,971.

The lack of a formal review process indicates gaps in the internal controls within the District and may impact future funding. Finally, the ability of the Board and FHLSD administrators to make effective decisions about service levels and funding allocations is negatively impacted by the lack of accurate information.

*Financial Implication:* The cost for training on T-Reports through the Ohio Association of School Business Officials is \$50 per individual. Assuming the District sends two individuals to training, the total cost to the District would be \$100.

**R5.4 FHLSD should seek to amend the Agreement By and Between the Federal Hocking Local Board of Education and the Federal Hocking School Employees (the contract) to require transportation personnel to perform work during the entire period for which they are receiving payment. In addition, FHLSD should seek to renegotiate the bargaining agreement and guarantee its bus drivers a 4.5 hour minimum for**

**daily routes. This will help the District more effectively control personnel costs, ensure employee productivity, and bring the District's overall transportation costs more in line with its peers.**

**FHLSD should also seek to amend the language on the route bidding process to include a stipulation that the bus driver may only take the bus home if the driver lives within five miles from the start- or end-point of the route.**

FHLSD's collective bargaining agreement stipulates that the bus drivers will be paid a minimum of seven hours for their daily routes. In addition, the contract does not instruct the bus drivers to work the entire period for which they are paid. According to the Transportation Supervisor, only a couple of bus drivers drive more than 5.5 hours a day; the other bus drivers work approximately 4 hours per day. Actual time worked by bus drivers could not be verified as driver time cards all report seven hours per employee per day, regardless of time actually worked.

Per the bargaining agreement, the bus drivers at FHLSD have the benefit of taking buses home after the school day. The contract states that drivers are not to take the buses home if they live more than five miles outside the District's boundaries. The contract also states that if the bus driver opts to drive a preschool route the bus driver must live within five miles of the start or end of the route.

**Table 5-4** displays FHLSD's salaries and benefits expenditure ratios in comparison to the peer district average.

**Table 5-4: FY 2005-06 Salaries and Benefit Expenditures**

	FHLSD	Peer District Average	Percentage Difference
<b>Per Rider</b>	\$548	\$430	27.4%
<b>Per Active Bus</b>	\$34,139	\$29,264	16.7%
<b>Per Routine Mile</b>	\$1.37	\$1.92	(28.8%)

Source: FHLSD and peer transportation reports obtained from ODE

As shown in **Table 5-4**, FHLSD's salaries and benefits expenditures per rider and per active bus were 27.4 percent and 16.7 percent higher than the peer district average, respectively. The seven hour guarantee contributes to the District's high personnel expenditures (salaries and benefits). By guaranteeing drivers seven hours per route and not requiring staff to perform work the entire period, FHLSD does not ensure effective control of transportation related costs nor does it ensure efficient levels of productivity. Furthermore, as all drivers are permitted to take their buses home after the conclusion of a route, the District can not be certain how long routes take and how many hours drivers actually work each day.

Because FHLS D's transportation expenditures are higher than its peers, it is important that the District implement cost reductions. Lowering guaranteed hours and requiring drivers to work all guaranteed hours would help FHLS D reduce personnel related transportation costs. Similarly, requiring drivers to report in to a central location or, at a minimum, report the conclusion of their driving routes, would help FHLS D better understand the time required per route.

*Financial Implication:* Reducing FHLS D driver guaranteed hours to 4.5 hours--the actual hours reportedly worked by most drivers--the District could save approximately \$136,000 in salaries and benefits expenditures.

**R5.5 FHLS D should develop written policies and procedures for the procurement of parts to help ensure that the District obtains the best price when purchasing parts. The Head Mechanic should develop a parts list of all the commonly used parts for the fleet and send the list to all of the District's available vendors at least once per year. Once the vendors return the price lists, the District should note which vendor can supply the least expensive parts and use that vendor if the need for the part arises.**

**The District should implement and document a competitive bidding process for the purchase of its more expensive transportation-related items, like fuel and replacement buses. This process should include sending out a request for proposal (RFP). This will enable the District to receive the most competitive price for the bid item; thereby more prudently managing taxpayer dollars (see also the financial systems and strategic management section).**

**Finally, FHLS D should seek competitive pricing and track the price it pays for diesel fuel to ensure that the pricing it receives is comparable to the Ohio Department of Administrative Services (ODAS) rate or other purchasing consortiums. If the District finds that the local supplier's price is consistently above the ODAS bid price, it should use competitive bidding or the ODAS contract to bring its prices more in line with those offered by the consortia.**

The District does not have policies in place to govern parts, fuel procurement, or bus procurement. According to the Head Mechanic, prices for parts are checked yearly from each of the vendors; however, no documentation of this price check was provided. Although FHLS D operates with several high mileage buses that frequently require repair, not tracking prices from each vendor may drive the District's maintenance and repair costs higher than necessary. Annually tracking prices for regularly used parts on a spreadsheet will lower the maintenance and repair costs for FHLS D.

Because the District has a 10,000 gallon fuel tank, the Transportation Supervisor only purchases fuel when the District is eligible to receive the vendor's bulk rate discount. The Transportation Supervisor orders the District's fuel; however, no effort is made to compare the price with other vendors. The Transportation Supervisor noted that a prior vendor had provided fuel that caused mechanical problems with the buses but the current vendor's product has not resulted in similar problems. Like other large dollar items, FHLSD does not seek competitive pricing for its fuel.

**Table 5-5** displays FHLSD's fuel expenditure ratios in comparison to the peer district average.

**Table 5-5: FY 2005-06 Fuel Expenditures**

	FHLSD	Peer Average	Percentage Variance
Per Rider	\$134	\$77	74.3%
Per Active Bus	\$8,334	\$5,250	58.7%
Per Routine Mile	\$0.33	\$0.35	(5.8%)

Source: FHLSD and peer transportation reports obtained from ODE

As shown in **Table 5-5**, FHLSD's fuel costs were above the peer district average when compared per rider and per active bus. FHLSD may be buying fuel from a vendor that is charging higher prices than other vendors that might be identified through a bidding process.

One purchasing consortium, commonly used by public entities in Ohio, is ODAS, which publishes weekly baseline prices for fuel based on its Oil Price Information Service data. ODAS will supply fuel to its members at the current baseline plus a cost differential and highway use charge. A public school district can become a member of the ODAS purchasing consortium for a cost of \$110 per year. ODAS publishes a new quote every week showing the price of fuel for that week.

FHLSD has purchased five buses since FY 2001-02. While the District has a bus purchasing process, it does not have a formal written bus procurement policy. The District's purchasing process includes putting an advertisement in the newspaper for bus bid proposals.

The Ohio University's Voinovich Center for Leadership has identified several selection criteria which may be encompassed within bids and RFPs:

- Establish qualifications as the basis for selection (e.g. number of years experience, license and certified);

- Specify criteria for judgment of qualification (e.g. references that resulted in positive feedback, licensed, bonded and insured);
- Provide for the publication of available work;
- Develop procedures for screening proposals;
- Require that a comprehensive agreed-upon scope of services be the basis for vendor compensation and the contract;
- Identify departmental responsibility for administering the process;
- Specify who makes recommendations and who makes final decisions; and
- Assign responsibility for contract negotiations and present to the Board for final decision.

By establishing and documenting specific methods for vendor selection, the District will provide a clearer understanding of the level of responsibility in determining the best purchased service, ensure proper accountability and internal controls, and reduce the appearance of any improprieties.

Without a policy requiring competitive bidding for high cost items, FHLSD can not ensure that it is receiving the best price from its vendors. Using competitive bidding, and documenting the process and results, would help FHLSD better manage its limited financial resources.

*Financial Implication:* The District's fuel invoices from May through November 2006 were compared to ODAS Fuel prices. This comparison shows that ODAS was less expensive on two of the five invoices which could have resulted in a \$2,800 savings. Comparing fuel prices and purchasing fuel through the vendor with the lowest price could result in an annual savings of \$5,500.

**R5.6 FHLSD should create, implement, and enforce a no-idle policy for its drivers. A no-idle policy would reduce the amount of fuel the District uses, which would decrease its fuel expenditures to be more in line with its peers.**

FHLSD's has not implemented a no-idle policy which may contribute to the high fuel costs to the District (see **Table 5-5**).

The Federal Trade Commission states that unnecessary idling should be avoided because it wastes fuel and pollutes the air. Mansfield City School District has a no-idle policy that directs its drivers to only start buses long enough for the pre-trip inspection to be completed; upon arrival at school, engines are to be turned off unless there is a handicap student on board with a documented requirement for when outside temperatures indicate the use of heaters. The policy also states the procedure for cold weather idling and idling at the bus compound.

A no-idle policy provides regulating guidelines on the amount of time a bus driver can leave a bus running. The implementation of this policy should result in a fleet of buses that have minimal idle time throughout the day. A district that does not have an enforced no-idle policy in place will have higher overall fuel expenditures due to long idle times. However, having a properly regulated no-idle policy in place will increase bus fuel mileage and lower overall fuel expenditures. The Transportation Supervisor indicated the District did not have a no-idle policy as it had not seen the need for this policy in the past.

*Financial Implication:* Based on data provided by Argonne National Laboratory (ANL), U.S. Department of Energy, FHLSD could save between \$13,000 (conservative estimates using ANL's idle calculator) and \$18,000 (using its flat rate average estimate of 11 percent) by eliminating unneeded idling. An average savings of \$15,000 is used in the financial implications summary.

- R5.7 FHLSD should establish a formal bus replacement plan to ensure that it is properly planning and budgeting to purchase new buses. Bus replacement should be managed by the Transportation Supervisor and the Treasurer's Office. FHLSD's bus replacement plan should primarily focus on replacing the buses with the highest maintenance costs. The effectiveness of this plan will hinge on the District's ability to accurately track maintenance costs on a per bus basis. By formalizing a replacement plan, the District will be better able to plan for future expenditures while maintaining an adequate bus fleet. FHLSD should also reduce its spare bus fleet to 25 percent of the fleet or 5 buses.**

**During the performance audit, the FHLSD Board of Education approved the purchase of one new bus for FY 2007-08 and the District is exploring the possibility of using permanent improvement funds to purchase a second bus. In addition, the District plans to reduce spare bus fleet by selling two buses.**

FHLSD does not have a bus replacement plan. According to the Transportation Supervisor, the District's financial condition has restricted its ability to purchase buses on a regular basis and this has resulted in a fleet that is old and expensive to maintain. In FY 2005-06, FHLSD purchased a handicap bus using State funding, and in FY 2006-07 operates with 28 buses used for regular routing (20 are active and 8 are spares). The buses have an average age of 10 years. Eighteen of the buses have over 150,000 miles and 11 of those have over 200,000 miles.

The American Public Works Association (APWA) states that equipment should be replaced at the most economical point in its life cycle which implies a planned well administered turnover that will be relatively consistent from one year to the next. The economic life of equipment refers to the length of time over which the average total unit cost is lowest. In order to have the most economic replacement policy, the agency should

take into consideration the following criteria: total cost of maintenance and depreciation, the environment in which the equipment operates, fuel costs, condition, suitability, safety, downtime, and new technology. Funding for equipment and parts replacement is also considered in the replacement analysis.

A long-term bus replacement plan would allow the District to more accurately plan for purchasing new buses. Considering the condition of FHLSD's bus fleet, it is imperative that the District formulate and implement a replacement plan. A well implemented bus replacement plan will lower prohibitively expensive repairs on older buses. Based on the age and condition of FHLSD's bus fleet, the District would need to replace two buses annually at a cost of about \$140,000. The Transportation Supervisor should target those buses that are the most costly to maintain first, regardless of age or mileage. Furthermore, the number of spares should be reduced to 25 percent of the fleet (or 5 buses) which would reduce the number of buses the District would have to replace in the future.

*Financial Implication:* To bring its bus fleet in line with standard operating ratios for age and mileage, FHLSD would need to purchase two buses per year at a cost of \$140,000.

**R5.8 FHLSD should establish an inventory program that tracks new and used parts and equipment used in the maintenance and repair of the District's fleet. The program should identify the following information:**

- **Part received along with the cost;**
- **Vendor that provided the part;**
- **Date received;**
- **Bin location where the part is stored;**
- **Quantity issued;**
- **Vehicle on which the part was used; and**
- **Mechanic completing the repair.**

**An Excel spreadsheet used to capture the abovementioned factors would allow the District to better manage the costs associated with the ownership of its equipment and more efficiently manage its supply inventory.**

**During the performance audit, the District purchased a software program that includes an inventory tracking program and a fleet maintenance program.**

A majority of FHLSD's bus equipment and parts inventory tools are stored in the bus garage along with the mechanics' tools. The remainder of the inventory is stored in a locked outdoor metal storage unit. The District does not track inventory, and orders parts as needed. Because the District does not track its inventory, the Transportation Supervisor and Head Mechanic could not state with certainty the cost or volume of the

inventory on hand. Each mechanic uses his own personal tools to work on the buses, which encourages the mechanics to ensure the bus garage is secured after working hours. According to the Head Mechanic, the District has not experienced any theft of parts or tools. However, this statement could not be verified as no inventory of a parts or maintenance equipment has been conducted.

According to the APWA, a parts inventory program tracks new and used parts, tires and batteries used in the maintenance and repair of equipment. Parts inventory assists in monitoring stock levels, turnover frequency and costs. The parts inventory should be routinely updated using an excel spreadsheet to perform the save function. Not tracking inventory could lead to ordering parts that the District already possesses or unnoticed theft.

FHLSD could conduct an inventory of its parts and maintenance equipment and record the results in an Excel spreadsheet. When parts are ordered or used, the spreadsheet could be updated to reflect the changes. Annually, the Transportation Supervisor should conduct an inventory count to ensure that District property is properly safeguarded, no theft has occurred, and that an appropriate number of parts are being maintained in the inventory. This could be accomplished at no additional cost to the District.

## Financial Implications Summary

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

### Summary of the Financial Implications for the Transportation Section

Recommendation	Annual Cost Savings	Annual Implementation Costs
<b>R5.2</b> Increase bus utilization	\$108,000	
<b>R5.3</b> Attend T Report training		\$100
<b>R5.4</b> Decrease bus driver minimum hours <sup>1</sup>	\$136,000	
<b>R5.5</b> Purchase fuel from ODAS or other consortium	\$5,500	
<b>R5.6</b> Implement and enforce a "No Idle" policy	\$15,000	
<b>R5.7</b> Replace 2 buses annually		\$140,000 <sup>2</sup>
<b>Total</b>	<b>\$264,500</b>	<b>\$140,100</b>

Source: AOS

<sup>1</sup> Subject to negotiation

<sup>2</sup> The District established a permanent improvement fund in FY 2006-07. For the purpose of the financial recovery plan, it will be assumed that 50 percent of this implementation cost can be paid out of permanent improvement funds.

## Appendix 5-A: Employee Survey

AOS administered an employee survey to FHLSD's approximately 190 employees to obtain feedback and perceptions concerning transportation issues. The survey was completed by 105 employees, 98 (93 percent) of which completed the transportation section of the survey. The overall participation rate for the AOS survey was approximately 55 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: AOS Transportation Survey Results**

Survey Questions	Survey Results <sup>1</sup>
<b>1. Effective communication of transportation policies and routes exist.</b>	
Strongly Disagree	2%
Disagree	12%
Neutral	28%
Agree	<b>33%</b>
Strongly Agree	1%
<b>2. Effective coordination of routes and special trips exist between departments.</b>	
Strongly Disagree	2%
Disagree	11%
Neutral	23%
Agree	<b>39%</b>
Strongly Agree	2%
<b>3. The transportation department provides timely transportation of students to and from school.</b>	
Strongly Disagree	1%
Disagree	4%
Neutral	13%
Agree	<b>60%</b>
Strongly Agree	13%
<b>4. The transportation department provides timely transportation to and from special events.</b>	
Strongly Disagree	1%
Disagree	4%
Neutral	14%
Agree	<b>54%</b>
Strongly Agree	14%
<b>5. The transportation department is effective in addressing complaints.</b>	
Strongly Disagree	7%
Disagree	14%
Neutral	21%
Agree	<b>22%</b>
Strongly Agree	6%

Survey Questions	Survey Results <sup>1</sup>
<b>6. The transportation routes are completed with regard to the safety of the children.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	4% 6% 16% <b>44%</b> 12%
<b>7. Children arrive at school in a mindset conducive to learning.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	2% 11% 35% <b>40%</b> 6%
<b>8. The attitude, courtesy, and work ethic of the transportation department is positive.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	5% 8% 29% <b>35%</b> 10%
<b>9. Overall, the quality of all transportation services provided is good.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	3% 4% 13% <b>58%</b> 10%
<b>10. I am satisfied with the District's current transportation policies and procedures.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	4% 8% 22% <b>41%</b> 9%
<b>11. Safety rules and regulations are adequate and enforced.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	4% 6% 18% <b>50%</b> 6%
<b>12. Transportation vehicles are clean and well kept in appearance.</b> Strongly Disagree Disagree Neutral Agree Strongly Agree	2% 7% 20% <b>49%</b> 9%

Survey Questions	Survey Results <sup>1</sup>
<b>13. Safeguards governing the access and use of parts and inventory are adequate and regularly enforced.</b>	
Strongly Disagree	3%
Disagree	8%
Neutral	21%
Agree	<b>29%</b>
Strongly Agree	2%

Source: AOS

<sup>1</sup> Survey percentages may not add up to 100 percent due to some respondents skipping questions.



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# Food Service

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## Background

This section focuses on the food service operations in the Federal Hocking Local School District (FHLSD or the District). **Appendix 1-A** provides a summary of the audit objectives for the food service section. FHLSD's operations were evaluated against best practices and operational standards from several sources, including the National Food Service Management Institute (NFSMI), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the United States Department of Agriculture (USDA), the Government Finance Officers Association (GFOA), the National Registry for Food Safety Professionals, and peer districts.<sup>1</sup>

### *Organizational Structure and Function*

In FY 2006-07, FHLSD has 12 employees involved in the food service operations including the Food Service Supervisor (Supervisor), the Cafeteria Fiscal Manager (Fiscal Manager), 4 head cooks, 5 line cooks, and 1 cashier/aide. The Supervisor, who is also the District's Transportation Supervisor, helps with the monthly distribution of commodities and is available when the cooks need guidance or assistance; however, his time is not charged to the Food Service Fund. The Fiscal Manager, who is also the Superintendent's Secretary, is responsible for record keeping, submitting monthly reimbursement forms as required by the Ohio Department of Education (ODE), and providing the cooks with financial and performance related reports, such as the number of meals served, total receipts and expenses, and participation rates. The Fiscal Manager spends approximately 6 hours per month on these tasks and charges the time to the Food Service Fund.

The food service staff prepares and serves breakfast and lunch at FHLSD's three school buildings. Food preparation is localized, meaning that all food is prepared at the building in which it is served. Amesville Elementary and Coolville Elementary are both staffed with one head cook and two line cooks. The cafeterias at the elementary schools have one lunch line. FHLSD's middle/high school has two head cooks, one line cook, and one part-time cashier/aide. When FHLSD combined its middle school and high school, the head cooks at each building asked to share the duties and responsibilities. The building has one kitchen centrally located between the middle school cafeteria and high school cafeteria. There are two lunch lines, one in each cafeteria.

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<sup>1</sup> See the **executive summary** section for description of the 10 peer district average used as benchmark throughout this report.

The District's four head cooks work 7.5 hours per day and are responsible for all day-to-day operations including purchasing and tracking of supplies and materials for their assigned school. The five line cooks work 7 hours per day, and the middle/high school aide/cashier is part-time working 3.5 hours per day. The head cook at each of the District's two elementary schools also serves as a cashier during the lunch period. As part of Ohio's National School Lunch and Breakfast Program, FHLSLSD serves breakfast free of charge to all of its students. The District began offering this program to elementary students in FY 2004-05. In FY 2005-06, it expanded the program to include middle school students. As of FY 2006-07, all FHLSLSD students, elementary, middle, and high school, are offered participation in the program. During FY 2005-06, the District served an average of 795 lunches and 880 breakfasts per day. An analysis of lunch prices (see **R6.6**) indicated that FHLSLSD's lunch prices are below those of neighboring districts.

### *Financial Operations*

Food service is organized as an enterprise operation that is intended to function in a manner similar to a private sector business, relying on charges for services to support the costs of operation. However, the Food Service Department required General Fund subsidies to avoid a negative fund balance in FY 2003-04 and FY 2004-05. FHLSLSD operated a self-supporting fund in FY 2005-06, with revenues exceeding expenditures by \$12,090, due to the additional grant funding the District received for its expanded breakfast program and an increase in the lunch program participation rate.

In FY 2006-07, the Food Service Department's reliance on the General Fund was alleviated by eliminating one full time equivalent (FTE) line cook from the middle/high school building and replacing the position with a part-time cashier. Additionally, in February, 2007, the District's Board of Education approved a reduction of 2 FTE cooks for FY 2007-08. FHLSLSD administrators indicated that the plan is to reduce staffing to 2 FTE cooks at each elementary building and have additional part-time employees to serve as cashiers in those two buildings during the lunch period (see **R6.5**).

According to FHLSLSD's five-year financial forecast, the District is planning to transfer funds from the General Fund to the Food Service Fund for FY 2007-08 through FY 2010-11. Additionally, FHLSLSD is charging food service related expenses, such as utilities and trash removal, to the General Fund instead of allocating these expenditures to the Food Service Fund (see **R6.1**).

**Table 6-1** illustrates FHLSLSD's expenditure history for FY 2003-04, FY 2004-05, and FY 2005-06.

**Table 6-1: FHLSD Food Service Fund FY 2003-04 through FY 2005-06**

	FY 2003-04 Actual	FY 2004-05 Actual	FY 2004-05 % Variance	FY 2005-06 Actual	FY 2005-06 % Variance
<b>Operating Revenue</b>					
Student Charges	\$148,121	\$147,731	(0.3%)	\$142,948	(3.2%)
<b>Non-Operating Revenue</b>					
Miscellaneous	\$582	\$0	(100.0%)	\$0	N/A
Restricted Grants-in-Aid (State Sources)	\$15,653	\$15,592	(0.4%)	\$21,643	38.8%
Unrestricted Grants-in-Aid (Federal Source)	\$227,937	\$294,449	29.2%	\$357,647	21.5%
<b>Total Revenue</b>	<b>\$392,293</b>	<b>\$457,772</b>	<b>16.7%</b>	<b>\$522,239</b>	<b>14.1%</b>
<b>Operating Expenditures</b>					
Personal Services - Salaries	\$157,797	\$164,945	4.5%	\$164,773	(0.1%)
Employees Retirement and Insurance	\$115,826	\$111,627	(3.6%)	\$130,216	16.7%
Purchased Services	\$87	\$206	135.6%	\$0	(100.0%)
Supplies and Materials	\$190,851	\$218,231	14.3%	\$215,160	(1.4%)
Capital Outlay	\$1,198	\$0	(100.0%)	\$0	N/A
<b>Total Expenditures</b>	<b>\$465,760</b>	<b>\$495,009</b>	<b>6.3%</b>	<b>\$510,149</b>	<b>3.1%</b>
<b>Revenues Over (Under) Expenses</b>	<b>(\$73,466)</b>	<b>(\$37,237)</b>	<b>(49.3%)</b>	<b>\$12,090</b>	<b>(132.5%)</b>
<b>Transfers/Advances</b>					
Transfers-In	\$0	\$65,000	N/A	\$0	(100.0%)
Advances- In	\$65,000	\$35,000	(46.2%)	\$0	(100.0%)
Advances-Out	(\$20,000)	(\$65,000)	225.0%	(\$35,000)	(46.2%)
<b>Net Transfers/Advances</b>	<b>\$45,000</b>	<b>\$35,000</b>	<b>(22.2%)</b>	<b>(\$35,000)</b>	<b>(200.0%)</b>
<b>Revenues Over (Under) Expenses (Including Transfers)</b>	<b>(\$28,466)</b>	<b>(\$2,237)</b>	<b>(92.1%)</b>	<b>(\$22,910)</b>	<b>924.2%</b>
<b>Beginning Fund Balance</b>	<b>\$34,705</b>	<b>\$6,239</b>	<b>82.0%</b>	<b>\$4,002</b>	<b>(35.9%)</b>
<b>Ending Fund Balance</b>	<b>\$6,239</b>	<b>\$4,002</b>	<b>(35.9%)</b>	<b>(\$18,908)</b>	<b>(572.5%)</b>

Source: FHLSD FY 2003-04 through FY 2005-06 4502 Statement E

Note: Items reflected in the financial statements with a zero balance have been omitted from the table. Percentages may vary due to rounding.

As shown in **Table 6-1**, without the General Fund's subsidy in FY 2005-06, the Food Service Fund had a year-end deficit balance of \$18,908. While FY 2005-06 revenues were \$12,090 above expenditures, the negative year-end fund balance of \$18,908 was due to a \$35,000 advancement from the Food Service Fund back to the General Fund. Therefore, FHLSD's food service was a self-supporting operation in FY 2005-06.

**Table 6-1** also shows that:

- *State and Federal Grants-in-Aid* increased due to FHLSD expanding the breakfast program by offering it in all school buildings and an increase in the number of students that qualified for free and reduced price meals.

- *Employee Retirement and Insurance* increased as a result of inflationary factors in insurance costs, and an extension of coverage for an additional food service employee, who in the prior year had not been receiving benefits from the District.
- *Supplies and Materials* increased as a result of FHLSD implementing the free breakfast program and the related need for additional supplies and materials such as tableware.

## Recommendations

**R6.1 FHLSD should ensure that it charges all food service related expenses to the Food Service Fund. Correctly recording appropriate food service expenses will provide a complete financial picture and allow the District to adjust revenues and programs as needed. In addition, resources needed to support classroom and instructional operations will not be impacted by operating costs in the food service operation.**

While FHLSD's Food Service Fund appeared to be functioning as a self-supporting operation in FY 2005-06, the District's reports do not accurately depict its financial position. In FY 2005-06, FHLSD did not report expenditures for purchased services (utilities, trash removal, and custodial supplies) in its Food Service Fund. Instead, the District paid these food service related expenditures out of the General Fund.

One method of allocating costs to the Food Service Fund is to calculate the percentage of square footage used by the food service operation and then to apply that percentage to a cost category. For example, applying the 5 percent of FHLSD's facilities occupied by the food service operation to purchased service expenditure for FY 2005-06 would have resulted in food service costs of approximately \$17,500. This figure includes the portion the food service operations should have paid for electricity, water and sewer, heating, trash removal, and custodian supplies on a per square foot basis.

Ohio Revised Code (ORC) § 3313.81 requires the Food Service Fund to be kept separate from all other funds, including the General Fund. All receipts and disbursements in connection with the operation of food service for school food service purposes and the maintenance, improvement, and purchase of equipment for school food service purposes are to be paid directly into and disbursed from the Food Service Fund.

Additionally, *Measuring the Cost of Governmental Service* (GFOA, 2002) recommends governments measure the full costs of their services, which can be helpful in performance measurement and benchmarking, setting user fees and charges, privatization, and competition initiatives. The full cost of a service encompasses all direct and indirect costs related to that service. Direct costs include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service, as well as the materials and supplies and other associated operating costs such as utilities, rent, training, and travel.

FHLSD is not accounting for all program-related expenditures (i.e. trash removal, utilities) which has led to an inaccurate understanding of its financial position in the Food Service Fund. Using the General Fund to support FHLSD's food service operations reduces the funds budgeted for educational and instructional purposes at the District. Accurately capturing all costs in the Food Service Fund will allow FHLSD to evaluate

the efficiency and performance of its food service operations and effectively plan for future needs.

*Financial Implication:* Based on the actual operating expenditures for purchased services in FY 2005-06, about \$17,500 in program-related expenses could be charged to the Food Service Fund. This would alleviate this cost within the General Fund and positively impact the District's General Fund balance.

**R6.2 FHLSD should develop a five-year projected budget of revenues and expenditures for food service operations to assist in the effort to continue as a self-sufficient operation. This planning budget should be included within the food service operation's strategic plan (see financial systems and strategic management R2.2). Developing a five-year budget will act as a long-term planning tool to integrate the food service operational goals and objectives.**

According to FHLSD's five-year financial forecast, the District plans to transfer money from the General Fund to cover food service operating expenses in four of the next five fiscal years. Beginning in FY 2008-09, FHLSD plans to transfer \$7,500 from the General Fund to the Food Service Fund. The transfer amount is forecasted to increase by \$2,500 each year through FY 2010-11. FHLSD does not prepare an annual budget specifically for its food service operations or a five-year projection of food service revenues and expenditures.

According to budget guidelines outlined in *School Foodservice Management for the 21<sup>st</sup> Century* (Pannell-Martin, 1999), forecasting revenues and expenditures over a five-year period, in addition to creating yearly food service budgets, is important to long range planning because it can give management warning of upcoming problems. With increases in labor costs, which occur annually in most school districts, and the rising costs of fringe benefits, lunch price increases and cost saving measures need to be evaluated annually.

Furthermore, *School Foodservice Management for the 21<sup>st</sup> Century* suggests the following factors be considered in making revenue projections and expenditure estimates:

- Historical data;
- Goals and plans;
- Economic indicators;
- Demographic changes;
- Projected enrollment;
- Effects of menu changes;
- Changes in operating procedures;
- Changes in food and labor costs;

- Meal price changes; and
- Operational changes.

The lack of long-term planning measures for food service operations could result in FHLSD continuing to experience financial shortfalls in its Food Service Fund and increase reliance on the General Fund. A formal five-year projected budget of revenues and expenditures for food service operations will help the District evaluate the need for program adjustments and significantly help in planning for improvements in operations.

**R6.3 FHLSD should develop a food service process improvement program as part of its overall strategic plan (see financial systems and strategic management section). The program should solicit formal input from stakeholders such as students, parents, teachers, and administrators. Conducting a student survey may provide an accurate and reliable way to obtain customer feedback and increase participation.**

While FHLSD does not have a formal method in place to obtain customer feedback, the student newspaper periodically conducts surveys to determine which foods are the most desired. The cooks attempt to allow for those menu items, although food choices are limited by nutritional and government standards related to food service. FHLSD previously used suggestion boxes in the cafeterias where students could suggest favorite foods or make menu requests; however, this system of obtaining customer feedback was abolished. The students' trays are visually monitored by the cooks and the cashier to see what is and is not being purchased, and what is not being consumed. The head cooks determine the popular choices by making rounds in their respective cafeterias and conversing with students about what they do and do not like to eat. This information is considered when making food purchases and menu plans.

According to *Recipes for Practical Research in Child Nutrition Programs* (NFSMI, 1998), school food service and nutrition programs should begin the continuous improvement process by gathering customer feedback. The initial customer focus must be on students. Surveys are one method for gathering information from a large group of people in a short period of time at a moderate cost. Valid and reliable data gathered from students must be the basis for developing enhancements in school food service and nutrition programs. NFSMI recommends the food service survey should include the following six steps:

- Determining the objective of the survey and ensuring the survey is valid and reliable;
- Gaining approval from the school community (i.e., school administration, principals, teachers, and parents);
- Determining when the survey should be conducted;
- Determining how many surveys are needed to obtain valid data;

- Determining how the survey will be conducted (random sampling, offering in homeroom classes, assembly or parent teacher meeting, etc.); and
- Developing a support network for the survey process and continuous improvement.

The Food Service Department uses observational data and data gathered from conversations with students to make menu decisions. District administration does not conduct formal surveys to provide feedback. The absence of a system to collect feedback diminishes the District's ability to meet the needs and wants of the customers, increase program participation, and ultimately increase revenues. Formal feedback from the primary users through student surveys will allow FHLSA to effectively evaluate and improve its food service program.

**R6.4 FHLSA should develop a request for proposal (RFP) to privatize the food service program and periodically send it to at least three suppliers who can provide the services needed. Once the RFP's are received, they should be tabulated and analyzed to determine if any cost benefits to the District exist. If a decision to privatize is not in the best interest of the District, the Food Service Supervisor should solicit new RFP's within the next three years.**

**If the District feels that outsourcing the food service operation would be beneficial, the contractor must be held accountable for its performance in the food service operation. Provisions should be included in the contract with the food service provider to reward good performance and penalize poor performance.**

FHLSA administrators previously contacted a private vendor about conducting an assessment of the District's food service to identify areas for improvement. According to the Superintendent, the District did not follow through with this assessment after concerns were raised by the food service staff about the use of an outside vendor. The Supervisor reported that the District briefly considered the option of privatizing its food service operations in FY 2003-04; however, no assessment of the option was ever completed. The Supervisor indicated that, as FHLSA was in the middle of a contractual negotiation with its classified staff, the timing would be better if this option was considered at the end of a contract period. During interviews, FHLSA's administration verbally indicated a willingness to evaluate the option of contracting out food service operations but felt that there would not be support for this type of change within the District.

According to *Best Practices in Public Budgeting* (GFOA, 2000), a government should institute a process to develop new programs and services and review existing ones in the context of how well programmatic and operating policies and plans are met. All programs should have measurable goals that relate to goals established for the more general

policies and plans (see **financial systems and strategic management** section). The process should include an examination of how a government traditionally provides the service. It also should consider whether the service could be delivered more effectively or efficiently if provided in a different way, either by the government itself or by entities outside of the government.

Considerations in evaluating service delivery mechanisms, whether provided directly by a government or contracted out, include:

- **Cost of service:** including short and long-term direct costs, costs to administer and oversee the service, impact on rates and charges, and impact on costs of other government services.
- **Service quality and control:** including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its own performance, ability to change the delivery mechanism in the future, and risk of contractual nonperformance and default.
- **Management issues:** including the quality of monitoring, reporting, and performance evaluation systems, public access to information, and ability to generate or sustain competition in service delivery.
- **Financial issues:** including the impact on outstanding debt and grant eligibility.
- **Impact on stakeholders:** including government employees, customers, and taxpayers.
- **Statutory and regulatory issues:** including impact on federal and state legal and regulatory requirements and liability.

FHLSD has not seriously considered external food service providers as an option for providing food services, reportedly because of its contractual agreement with its employees. As a result, there have been no attempts to solicit bids from food service suppliers. By not evaluating the opportunity, FHLSD may be basing its judgment that the privatization of the food service program would not be beneficial on opinions rather than fact.

An evaluation of delivery alternatives for services helps to ensure that the best approach is selected. By not periodically considering privatization, FHLSD may not be ensuring that the highest quality meals are served at the best prices. Issuing an RFP would allow FHLSD to evaluate the cost-effectiveness of continuing to operate food services in-house versus a third-party contractor.

**R6.5 FHLSD should work to increase its meals per labor hours (MPLH) at Amesville Elementary and Coolville Elementary in order to meet, or exceed, the National Food Service Management Institute's (NFSMI) efficiency standards. If the District decides to close one of its elementary schools (see the facilities section), it should consider NFSMI's targets when reallocating and adjusting staff. If the District maintains its current structure, it should implement its plan of replacing 1 FTE cook at each elementary school with a part time cashier. Reducing the daily labor hours would allow FHLSD to increase the MPLH and reduce food service personnel costs.**

**During the course of the performance audit, the Board of Education approved a reduction of 2 FTE cooks for FY 2007-08.**

FHLSD operates three kitchens, one in each school building. There is no central kitchen; instead, each kitchen prepares meals on site. FHLSD's food service department is preparing food through the convenience method using canned vegetables and ordering from a bakery.<sup>2</sup> **Table 6-2** illustrates FHLSD's food service employees by school building.

**Table 6-2: FY 2006-07 FHLSD Food Service Staffing by Building<sup>3</sup>**

School Building	Total Employees per Building	Total FTEs per Building	Total Daily Labor Hours Per Building
High School/Middle School	4	3.5	25.5
Amesville Elementary School	3	3.0	21.5
Coolville Elementary School	3	3.0	21.5
<b>Totals</b>	<b>10</b>	<b>9.5</b>	<b>68.5</b>

Source: FHLSD

**Table 6-3** compares FHLSD's MPLH to the national standard set by NSFMI using FY 2006-07 labor hours and FY 2005-06 meals served according to ODE. **Table 6-3** shows the total meal equivalents (breakfast, lunch, a la carte) served per day by each school and

<sup>2</sup> Staffing guidelines differ based on the meal preparation method used by a district. Meal preparation is classified as either conventional or convenience. Conventionally prepared food uses fewer processed items, with more items prepared from scratch such as raw vegetables and homemade breads, and does not use disposable serving items.

<sup>3</sup> MPLH is a standard used to measure the efficiency of school districts, hospitals, restaurants, and other food services operations. Many school districts use MPLH as a tool to develop strategies to control labor costs. The industry standards for meal equivalent conversions are used to convert meals served as reported from ODE reports to meal equivalents.

**Conversion of Meal Equivalents**

Type of meal	Industry Meal Equivalent Standards
Lunch	1 Lunch = one meal equivalent
Breakfast	3 Breakfasts = two meal equivalents
	A la Carte Sales
A la Carte Meal Equivalents	Free Lunch Reimbursement + Commodity Value per Meal

Source: NFSMI Financial Management Information System

the total labor hours worked at each building. These figures are used to determine the level of meals produced per labor hour, by dividing the number of meal equivalents by the total daily labor hours at each of the schools.

**Table 6-3: FHLSD and National Standard MPLH Comparison**

Building	Total Meals Served per Day	Percent of Total Meals Served	Total Labor Hours Per Building	Adjusted Meals per Labor Hour	National Standard <sup>1</sup>	Over (Under) National Standard
Middle School/High School	683	48.6%	25.50	26.8	20	<b>6.8</b>
Amesville Elementary	412	29.3%	21.50	19.2	19	<b>0.2</b>
Coolville Elementary	311	22.1%	21.50	14.4	18	<b>(3.6)</b>
<b>Totals</b>	<b>1,406</b>	<b>100.0%</b>	<b>68.50</b>	<b>20.52</b>	<b>N/A</b>	<b>N/A</b>

Source: ODE and the NFSMI

<sup>1</sup> The national standard is based on a convenience system, high productivity<sup>1</sup> level.

As illustrated in **Table 6-3**, FHLSD operates above the national standard at its middle/high school. The District is line with the standard at Amesville Elementary but below it at Coolville Elementary. With the same number of employees supporting the cafeterias at FHLSD's elementary schools, the lower enrollment at Coolville Elementary affects its MPLH (see also the **facilities** section).

Because of its financial situation, FHLSD reduced staffing levels by eliminating one line cook position at the middle/high school building for FY 2006-07. This reduction has allowed the middle/high school to operate above national benchmark of 20 MPLH. However, FHLSD's elementary schools do not operate at an efficient level. With fewer children, the elementary schools do not serve as many meal equivalents in relation to the labor hours used as at the middle/high school.

FHLSD should reduce the total number of food service labor hours involved in serving the elementary students. The District can accomplish this by replacing a full time cook with a part time cashier at Amesville Elementary and Coolville Elementary each or by reallocating food service staff when combining the two elementary schools.

*Financial Implication:* If FHLSD replaced 2 FTE cooks from the food service staff with part-time cashiers at Amesville Elementary and Coolville Elementary, it would save approximately \$33,000 in FY 2007-08 and \$135,500 over the forecasted period.

**R6.6 FHLSD should increase its lunch prices by at least \$0.25, or as much as \$0.30, to become more comparable with other districts in Athens County and to help ensure that the food service operations function as a self-supporting operation. Increasing lunch prices will increase operating revenue and assist the District in achieving a**

**positive ending fund balance in the Food Service Fund without requiring a subsidy from the General Fund.**

FY 2006-07 lunch prices in the elementary schools are less expensive than in the middle school/high school. FHLSD raised lunch prices for all students and adults by \$0.05 for FY 2005-06 and, during the course of this audit, proposed raising them again by \$0.20 for FY 2007-08.

FHLSD lunch prices by school level were compared to Alexander Local School District (LSD), Trimble Local School District (LSD), and Nelsonville-York City School District (CSD).<sup>4</sup> These three districts are located in Athens County. **Table 6-4** illustrates the comparison.

**Table 6-4: FY 2006-07 Lunch Price Comparison**

	FHLSD	Alexander LSD	Trimble LSD	Nelsonville-York CSD	Peer Average	Dollar Difference
Elementary School	\$1.55	\$1.75	\$1.75	\$1.50	\$1.67	(\$0.12)
Middle School	\$1.80	\$2.25	\$2.00	\$2.00	\$2.08	(\$0.28)
High School	\$1.80	\$2.25	\$2.50	\$2.00	\$2.25	(\$0.45)
Adult Lunches	\$2.05	\$2.10	\$3.00	\$2.00	\$2.37	(\$0.32)
<b>Average</b>	\$1.80	\$2.09	\$2.31	\$1.88	\$2.09	<b>(\$0.29)</b>

**Source:** FHLSD, Alexander LSD, Trimble LSD and Nelsonville-York LSD.

**Note:** Alexander LSD's adult lunch prices were adjusted to reflect the same pricing strategy used by FHLSD and the peers. FHLSD and the other county peer districts' adult lunches are the same portions and items as the students' lunches but sold at a higher price. Alexander LSD sells each portion separately to adults. Therefore, a conservative approach was made by adding the cost of one main dish (\$1.50) and one side dish (\$0.60) for Alexander LSD's adult price.

As shown in **Table 6-4**, FHLSD lunch prices are generally lower than the other districts in the county. Elementary prices are an average of \$0.12 less while the middle school and high school are \$0.28 and \$0.45 less, respectively. The dollar difference between FHLSD and the county peers' average lunch price, including adult prices, was \$0.29. In FY 2005-06, FHLSD served 137,531 lunches. Of these, 75,944 were free to students, 12,969 were sold at the reduced price of \$0.40, and 48,618 were sold at regular price.

Based on the lunch price comparison in **Table 6-4**, FHLSD could go beyond its plan of increasing lunch prices by \$0.20 and raise its lunch prices by at least \$0.25 and remain comparable with other districts in Athens County. The District could increase prices by \$0.30 and still remain in-line with peers. Increasing lunch prices was identified as an option by FHLSD to help alleviate the financial stress on the General Fund caused by the

<sup>4</sup> The three Athens County districts selected for the meal price comparison are categorized by ODE as the same type of district as FHLSD – all are rural/agricultural, high poverty, low median income districts.

transfers to the Food Service Fund. If implemented, this increase would bring FHLSD more in line with the county peers and allow the District to bring in more revenue for its food service operations. Increasing student charges will increase Food Service Fund revenues and help food service at FHLSD function as a self-supporting operation.

*Financial Implication:* Based on 48,618 regular priced lunches, an increase in lunch prices of \$0.30 would increase food service revenues by \$14,500, and an increase of \$0.25 would increase revenues by approximately \$12,000.

**R6.7 FHLSD should develop and implement a formal training program for its food service staff to enhance knowledge, and ensure that all staff members are fully aware of job tasks and any regulations that they must follow. The training program should include those essential areas suggested by National Registry of Food Safety Professionals and OPPAGA, as well as the regulations stipulated by the ORC. In addition, the District should keep records of trainings held for food service staff and training attendance, and conduct follow-up surveys to rate the effectiveness of the training.**

FHLSD does not have a formal training process in place for its Food Service Department. The Supervisor indicated that the District performs the majority of the trainings through on-the-job demonstrations and explanations. Information is passed from one employee to another. Each position within the food service section has a substitute list which helps the District fill vacancies using the substitutes who are familiar with the District's food service operations. There is no handbook or written guide for training purposes.

The National Registry for Food Safety Professionals includes the following topics in its Food Safety Manager Certification Examination:

- Food protection;
- Food purchase and receipt;
- Food storage and supplies;
- Food preparation;
- Food service and display;
- Tools and equipment use and maintenance; and
- Equipment, utensils, and food contact surface cleaning and sanitizing.

In *Best Financial Management Practices for Food Service* (OPPAGA, 2002) it is suggested that management develop comprehensive training plans that contain the following additional essential areas:

- Portion control;
- Production control;

- Special diets;
- Inventory and meal count procedures;
- Emergency procedures; and
- Customer service.

Additionally, ORC § 3313.815 requires that at least one employee who has received instruction in methods to prevent choking and has demonstrated an ability to perform the Heimlich maneuver be present while students are being served food.

FHLSD implements an informal method of training new employees in the Food Service Department. However, without a comprehensive training program, FHLSD food service workers may not have the full information needed to effectively perform their jobs. A formal training program that includes the aspects mentioned above will help to ensure that all employees understand the scope of their responsibilities and performance expectations. Training will also serve to update the skills and knowledge necessary to effectively and efficiently carry out duties in the Food Service Department. This training could be provided in-house by the District or through a local college or university.

**R6.8 FHLSD should implement direct certification<sup>5</sup> of a student's eligibility for the free lunch program by using the Athens County Department of Job and Family Services eligibility information. This will help improve participation rates and reduce the labor required within the District to determine eligibility.**

FHLSD does not use direct certification, opting instead to determine eligibility for the free and reduced price lunch programs by reviewing applications submitted by the parents of the students. The District distributes the applications at the beginning of the school year to each student with instructions for parents to complete the form and return it to the District. Applications are reviewed by building principals for eligibility of free and reduced meal prices. The principals approve or deny the application and send notifications home to parents.

The United States Department of Agriculture (USDA) introduced the policy of direct certification for free meals. Previously, all families who wished their children to receive free meals had to complete an application and provide data on either family size and income or receipt of food stamp, Temporary Assistance for Needy Families, or Food Distribution Program on Indian Reservations (FS/TANF/FDPIR) benefits. School officials then determined whether families met eligibility requirements. Under direct certification, information from the state food stamp or welfare agency is used to directly

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<sup>5</sup> Direct certification is a cross-match between district students and county departments of job and family services' eligibility roles.

certify children receiving FS/TANF/FDPIR benefits without requiring them to complete separate certification applications.

Direct certification was designed primarily to improve program access and administrative efficiency. If existing data from state food stamp or welfare offices were used to directly certify children, a greater number of eligible children may become certified for free meals because FS/TANF/FDPIR recipients are, by definition, eligible for free meals. Additionally, if the need for these children to complete applications and for District officials to process these applications were eliminated, FHLSD could reduce the administrative costs involved in the certification.

Using direct certification can increase participation in the program within FHLSD and better help the District provide for disadvantaged students. It would eliminate the need for some students to bring eligibility information to school, a process which often is not completed. If FHLSD used direct certification instead of the application process to determine eligibility, it could reduce the number of applications that need to be processed and potentially increase participation of eligible students in the free meal program.

## Financial Implication Summary

The following table represents a summary of the annual cost savings and reallocations for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed. The recommendations included in the estimated savings and additional revenue would enable the food service operation to become self-supporting; thus no longer requiring transfers from the General Fund.

### Summary of Financial Implications for Food Service

	Estimated Savings/ Additional Revenue	Estimated Cost Reallocation
<b>R6.1</b> Charge all food service related expenditures to the Food Service Fund (cost reduction to General Fund)		\$17,500
<b>R6.5</b> Eliminate 2 FTE cooks	\$33,000	
<b>R6.6</b> Raise lunch prices \$0.25	\$12,000	
<b>Total</b>	<b>\$45,000</b>	<b>\$17,500</b>

Source: AOS



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# Technology

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## Background

This section focuses on technology functions within Federal Hocking Local School District (FHLSD or the District). **Appendix 1-A** provides a summary of the audit objectives for the technology section. Technology utilization practices and best practice information from relevant sources were used for comparisons throughout this section of the report. These sources include: Ohio's 2006 Biennial Educational Technology Assessment (BETA) survey, the Florida Office of Program Analysis and Government Accountability (OPPAGA), eTech Ohio, the International Society for Technology in Education (ISTE), the National Center for Education Statistics (NCES), the National School Boards Association (NSBA), and peer districts.<sup>1</sup> In addition, the Auditor of State's Office (AOS) administered a survey to FHLSD's employees regarding technology services and the results were used throughout this report. Survey questions and results can be found in **Appendix 7-A** at the end of this section.

### *Organization and Staffing*

FHLSD employs two full-time equivalent (FTE) employees in technology: a Technology Coordinator and a Network Administrator. The Technology Coordinator reports to the Superintendent and is responsible for implementing the District's technology plan, developing technology policies, coordinating staff training programs, preparing budget recommendations, coordinating the purchase of hardware and software, and preparing research and grant proposals. The Network Administrator works on programming tasks, maintains the District's servers, develops databases, and maintains and updates the District's web page. The District's technology staff expertise was determined to be appropriate based on their education and experience. In addition, the FHLSD Board of Education (Board) formed a Technology Committee in FY 2006-07 to review and update technology-related policies. Each of FHLSD's school buildings has a Building Technology Committee that plans technology in-service days for teachers and provides input on hardware and software.

The District has a computer to technology staff ratio of 307-to-1, indicating FHLSD's technology staffing is below the industry benchmark of one computer support person for every 500 computers in a closely managed network environment.<sup>2</sup> While the District is below this benchmark, the staffing level appeared adequate given the number and location of buildings in

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<sup>1</sup> See the **executive summary** section for description of the 10 peer district average used as benchmark throughout this report.

<sup>2</sup> *A School Administrator's Guide to Planning for the Total Cost of New Technology* (Consortium for School Networking, 2001).

the District and the other services provided by the technology staff. However, responses to the AOS survey indicate that there are concerns with the timeliness of support services (see **R7.4** and **R7.5**).

### *Summary of Operations*

FHLSD has approximately 1,400 users accessing the network, including all District students and staff. The District maintains a student to computer ratio of 3.8-to-1, which exceeds the State average of five students per computer indicating that students have sufficient access to computers. The District uses both Apple (used only in the high school) and Windows-based platforms. The District has a consolidated server network that effectively addresses problems with potential incompatibility between the two operating systems.

FHLSD also uses technology to communicate and share information with its staff and parents of students. All FHLSD staff has access to email and teachers use web pages to enhance communications with parents. FHLSD has a web site which contains information about the District and individual building activities; however, FHLSD's web site could be enhanced with additional information (see **R7.9**).

FHLSD receives technical support from the Southeast Ohio Valley Education Cooperative (SEOVEC), the District's information technology center. The software accessed from SEOVEC include Persona, the State fiscal software, which operates in accordance with the Uniform School Accounting System; eSIS, the student information system software; electronic grade book; and other student-support software programs. SEOVEC services to the District include providing and maintaining the District's network, providing email accounts to employees, providing administrative and student information software, and offering professional development opportunities.

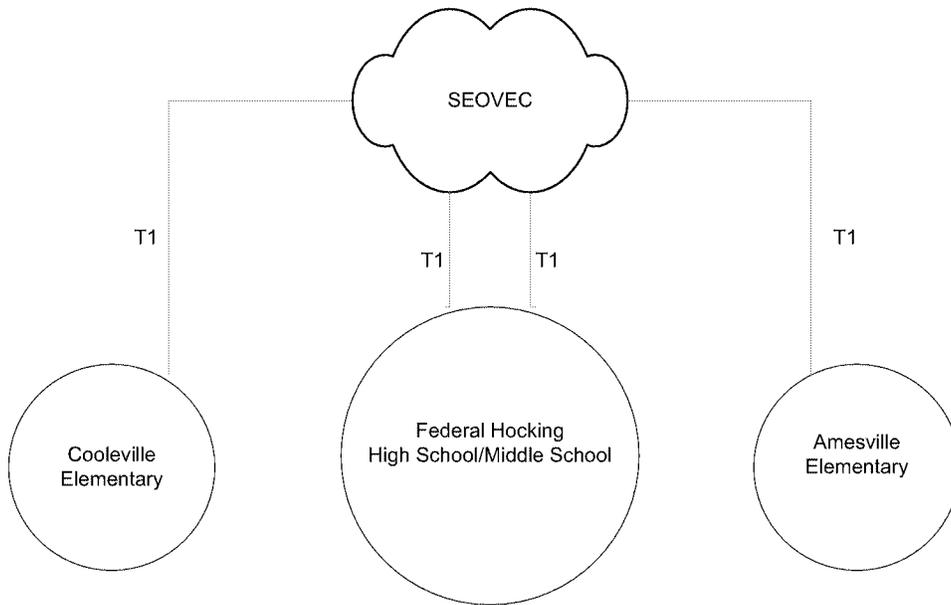
The Technology Department uses remote management software to provide installations and support to school buildings. FHLSD exclusively purchases laser printers and uses them as shared access printers. In addition, the Technology Coordinator reports that the elementary schools have standardized instructional software. Also, FHLSD uses technology options such as digital video and distance learning to enhance instruction. Use of digital video and distance learning provide enhanced learning opportunities and allow staff to have access to broader teaching resources. In addition, FHLSD has previously studied the costs and benefits connected to a transition to Internet Protocol (IP) Telephony; however, the District postponed consideration of the technology because of the prohibitive costs associated with the initial investment.

The District has developed procedures for technical support that provide on-line trouble-shooting tips and an on-line work order system. FHLSD is in the process of developing a database to track support costs and other performance measures such as system downtime (see **R7.7**). Despite the implementation of some remote management and troubleshooting efforts, 32 percent of staff

respondents disagreed or strongly disagreed that technical assistance is easily accessible and 30 percent indicated they were not satisfied with technical assistance in the AOS administered survey. The low percentage of employees responding positively to questions about technical assistance they receive indicates there are shortfalls in the administration of technical support. Several options could be implemented to alleviate the workload of the Technology Department and improve the timeliness of support (see **R7.5**).

**Chart 7-1** illustrates FHLSD’s network.

**Chart 7-1: Federal Hocking LSD Network Diagram**



**Source:** FHLSD

The District uses a main server located at the high/middle school building while the elementary schools each have a back-up server which provides redundancy in the event the main server goes down. The District has two T-1 lines connecting the high/middle school building to SEOVEC. In addition, one T-1 line at each of the elementary schools is connected to SEOVEC.

Access to the District’s network is password protected. The District uses Internet filtering and virus software and backs up all user information using multiple servers (redundancy) to protect the system. FHLSD has staff and student acceptable use policies that include detailed information on the acceptable use of equipment, appropriate use of the Internet, and security issues relating to data privacy. The District does not have policies on equipment donation or disposal (see **R2.6**).

The Technology Coordinator indicated the bandwidth usage fluctuates with levels of reduced performance occurring in the morning because of higher network usage. In addition, the Network Administrator indicated that the District may not have sufficient bandwidth in the near future to efficiently run streaming video. Because of FHLSD's current financial situation, the District may be unable to upgrade network technologies and bandwidth to meet increased bandwidth demands.

### Financial Data

**Table 7-1** details technology expenditures for FHLSD for FY 2004-05 and FY 2005-06. FHLSD has not developed a separate budget for technology based on the District's total budget. The technology plan includes a budget based on projected needs, but it is not linked to actual historical cost factors (see **R7.2**). Technology personnel expenditures, which include salary and benefits for the Technology Coordinator and Network Administrator, are funded out of the General Fund. SEOVEC expenditures include basic phone service, basic services (i.e. Education Management Information System), and Internet service.

**Table 7-1: FHLSD Technology Expenditures**

Expenditure Category	FY 2004-05	FY 2005-06	Percent Change
<b>Technology Personnel</b>	\$115,554	\$115,913	0.3%
<b>SEOVEC</b>	\$23,903	\$33,539	40.3%
<b>eTech Ohio Professional Development</b> <sup>2</sup>	\$4,140	\$3,925	(5.2%)
<b>Other Support</b> <sup>1</sup>	N/A <sup>1</sup>	\$2,420	N/A
<b>Other Hardware</b> <sup>1</sup>	N/A <sup>1</sup>	\$8,402	N/A
<b>eTech Ohio Technology</b> <sup>2</sup>	\$12,000	\$14,464	20.5%
<b>Total</b>	<b>\$155,597</b>	<b>\$178,662</b>	<b>14.8%</b>
<b>Total Cost per District User</b>	<b>\$112</b>	<b>\$129</b>	<b>14.8%</b>

Source: FHLSD

<sup>1</sup> Other hardware and support includes technology expenditures from District building budgets. FHLSD's FY 2004-05 other hardware and support expenditures were not provided because the District was unable to access them in the financial data they had on-site.

<sup>2</sup> FHLSD has received eTech Ohio grants that include professional development and technology building grants (School-net Plus/One-net).

FHLSD's total technology expenditures increased approximately 15 percent primarily due to a significant increase in SEOVEC expenditures. In FY 2005-06, FHLSD received additional services (i.e. Internet filtering) that were bundled together in the SEOVEC contract, thereby increasing the contract cost.

## Recommendations

### *Planning and Budgeting*

- R7.1 FHLSD should develop a technology budget linking funding for technology projects to the District technology plan. This will provide a method for the District to better identify and monitor project expenditures. Technology plans are more likely to be implemented if specific funding sources are identified in the plan and dedicated to technology plan implementation. In addition, the District's technology budget should be based on historical trends of total costs of ownership (TCO) for all technology purchases and expenses in order to more accurately budget for future technology needs (see R7.2).**

FHLSD has a Board-adopted technology plan that contains educational and operational goals and strategies, but the plan is not linked to actual funding or budget requests. The Technology Department developed a three-year technology plan through eTech Ohio to satisfy eligibility requirements for State and federal grant funding. The Technology Department completed its most recent technology plan in FY 2005-06, for the FY 2005-06 to FY 2008-09 cycle, and incorporated input from teachers, administrators, support staff, a Board member, and a parent into the plan. The plan includes references to funding sources and alternative strategies, demonstrating the Department's effort to consider linkages between the plan and the overall FHLSD budget. However, the Technology Coordinator noted that the funding sources and budget information in the technology plan are estimates and are not based on any historical trends. In addition, the budget in the technology plan is not linked to the District's approved budget.

According to *Critical Issue: Developing a School or District Technology Plan* (North Central Regional Educational Laboratory, 1998), an effective technology plan must promote meaningful learning and collaboration, provide for the needed professional development and support, and respond flexibly to change. Furthermore, a district should develop a technology budget, earmarking funding not only to acquire technology and design the infrastructure but also to ensure successful plan implementation by means of professional development for school staff.

If annual budgeting and long-range financial planning is not linked to the technology plan, there is no assurance that actions in the plan will be funded or can be implemented. Without a budget, the District is unable to plan for future technology expenses and proactively plan for resource allocations necessary to achieve its goals or maintain its level of connectivity and equipment and software integration.

**R7.2 FHLSD should formally measure the TCO of all its technology-related purchases, expenses, and anticipated outlays, including explicit (e.g., cost of a new computer) and implicit (e.g., cost to train staff and maintain new computers) costs. TCO should be incorporated into the District's technology plan and budget so that administrators and stakeholders understand the total costs associated with maintaining and operating existing technology. FHLSD can use TCO to determine the level of funding required for specific technology purchases so as to more accurately budget for equipment purchases and associated costs. Furthermore, the District should track technology expenditures through the Uniform School Accounting System (USAS) using a District-assigned special cost center (SCC).**

In its eTech technology plan, FHLSD indicates the factors that it does include in calculating TCO and outlines the steps it is taking to better capture these costs and others which will aid the District in calculating a more accurate TCO. However, FHLSD has not fully implemented its goal to use TCO in making decisions about hardware, software and technology professional development. This is due, in part, to the District's past practice of decentralizing technology purchases. In addition, the District has not organized its USAS categories to specifically track TCO for technology.

*Technology's Real Costs* (Fitzgerald, 1999) explains that school leaders can better understand the costs involved in implementing technology using TCO. After a District invests in hardware, the major components of TCO are professional development, software, support, and the cost of replacing computers and peripherals after a few years of use. Retrofitting older buildings for technology installation is another cost that is often overlooked or under-budgeted. According to *Best Financial Management Practices with Their Associated Indicators* (OPPAGA, 2002), school districts should consider future support, operating, maintenance, and disposal costs when acquiring technology. The primary principal of TCO is that technology budgets should include explicit up-front purchase costs as well as implicit long-term maintenance, support, and training-related costs.

While there is not a USAS function code for technology related expenditures, USAS can be used to track expenditures of a similar nature that do not have a dedicated code through the creation of a special cost center. According to the *USAS Users Manual*, a SCC tracks receipts and expenditures associated with individual activities that are part of a multi-purpose program and are time or event dependent. The assignment of a SCC is the responsibility of each district. This information could be used to create an accurate technology budget (**R7.1**) and to track technology expenditures.

Because FHLSD does not calculate TCO, purchasing decisions may be made without adequate consideration of long-term costs. Moreover, the District is unable to budget effectively because it cannot easily track past costs.

**R7.3 FHLSD should implement a systematic five-year replacement cycle to upgrade technology equipment. Implementing a replacement cycle will require FHLSD to annually set aside funds for technology purchases; however, purchases would be dependent on available funding. A systematic five-year replacement cycle would help to improve the operational performance of computers. More importantly, it would ensure that students and staff have up-to-date hardware and that older, higher-maintenance machines are replaced in a timely manner. Additionally, a replacement cycle will allow the District to better communicate the costs of long-term technology maintenance to District residents, administrators, and the Board.**

FHLSD has not implemented a formal replacement cycle for upgrading its computers. Instead, it has replaced equipment when funding is available. According to Technology Department staff, computers were not replaced on a regular schedule due to budget limitations. The FHLSD Design Manual, which includes all of the District's technology policies and procedures, includes a recommended replacement cycle for computers that uses factors such as age, random access memory (RAM), and operating system to prioritize computers for replacement. However, the replacement plan has not been implemented by the District. The replacement plan indicates the 10 lowest scoring computers at each building should be scheduled for replacement per year. According to the Design Manual, the District should increase the number of computers scheduled for replacement per building to 15 per year to ensure adequate and up to date technology in each building.

According to the 2006 BETA survey, 14.7 percent of FHLSD's computers are considered old by eTech Ohio standards, a lower percentage than peer districts (15.5 percent) or the State-wide average (15.7 percent). The 2006 BETA survey defines old computers as pre-Pentium III or Macintosh G-3.<sup>3</sup>

The *Technology Support Index* (ISTE, 2002) recommends that school districts replace equipment according to a three to five-year cycle, either by leasing or purchasing equipment. *A School Administrator's Guide to Planning for the Total Cost of New Technology* (Consortium for School Networking, 2001) also recommends a five-year replacement cycle for school districts. A formal replacement cycle helps ensure that districts avoid maintaining obsolete equipment which can increase support and repair costs.

Although the District has a lower percentage of old computers, using a haphazard replacement cycle dependent wholly on unplanned available resources may ultimately drive up maintenance and support costs related to older machines. Because of FHLSD's financial condition, substantial replacement expenditures may not be feasible at this time.

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<sup>3</sup> Pre Pentium III or Macintosh G-3 computers are generally seven years old or older, and do not have the capability to run the most current educational software programs.

However, by formally implementing a replacement cycle, FHLSD will be able to better communicate the costs of long-term technology maintenance to District residents, administrators, and the Board.

*Financial Implication:* At an estimated replacement cost of \$640 per computer, replacing 20 percent of the District's 600 workstations over a five-year replacement cycle would require an annual replacement cost of approximately \$77,000. A portion of this cost may be able to be paid from the District's Permanent Improvement Fund.

### *Technical Support*

**R7.4 FHLSD should regularly survey its staff about user satisfaction with technical support, technology training, and overall levels of computer usage. The Technology Department should use the results to better direct technology planning and training. By regularly surveying staff, FHLSD will be able to develop a better understanding of user needs and concerns which could then be used for planning purposes and self-evaluation.**

FHLSD does not conduct internal staff surveys on a regular basis to measure technology training needs or the effectiveness of services. The Technology Department receives staff feedback on technology every two years as part of the BETA teacher survey. On the 2006 BETA teacher survey, FHLSD had a lower percentage of teachers (61 percent) indicating they had received support within three days than either peer districts (76 percent) or the State (75 percent), reflecting FHLSD's focus on maintenance of computer systems rather than technical support response times. However, without regularly conducting internal staff surveys to measure technology performance, the District will have only limited knowledge on the effectiveness of technical support and training provided to staff, and on how District staff use technology and computers.

According to the *Technology Support Index* (ISTE, 2005), an outstanding organization ensures that quality assurance is measured by a system that tracks customer satisfaction throughout the year and that the data is used to make adjustments. Without conducting regular surveys, FHLSD cannot track data over time, identify subtle technical support patterns, or report on any changes or progress in implementing technology. This recommendation could be implemented at no additional cost to the District.<sup>4</sup>

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<sup>4</sup> One expeditious method would be for the District to use the BETA survey and implement it at least once per year to measure technology services.

**R7.5 FHLSD should pursue low-cost options to provide additional resources to the technology support function. In particular, the District should explore the development of a student technical support worker program to help provide greater levels of technical support to faculty and staff. The District should be cognizant of opportunities to integrate technical student-support programs into existing courses. These students could assist the Technology Coordinator with basic technology trouble-shooting and other support tasks.**

FHLSD does not have a formal program to train high school students to assist with technical support. The District has a student intern at the high school assisting in supporting District technology, but it does not have a formal program to train a group of students. The Technology Coordinator indicated student support would be useful to perform minor tasks such as the installation of printer maintenance kits. In addition, trained student workers can provide troubleshooting, equipment set-up and wiring, technical maintenance, and teacher assistance. According to an AOS survey of District employees, 35 percent of employees indicated that they agreed or strongly agreed that technical assistance is easily accessible (see **Appendix 7-A**). However, only 23 percent of employees surveyed indicated that the number of technology personnel was adequate for support.

According to *Are We There Yet* (National School Board Foundation, 2006), over half of the school leaders surveyed reported using students as technical support in their districts. Key student responsibilities include trouble-shooting, equipment set-up, and maintenance. According to eTech Ohio's 2006 BETA survey, 7 percent of FHLSD respondents indicated a student provided support, compared to the peer average of 26 percent and the State average of 19 percent.

Many districts in the State have implemented highly successful student technical support worker programs. The *Ohio SchoolNet ASSIST Project Final Report* (Metiri Group, 2002) explains that through student support programs, students experience working in situations that demand a range of skills, particularly strong communication and problem-solving skills that transfer to a variety of higher-level working environments. Through student support programs, student participants:

- Acquire technical skills in networking, programming, technical support, and system design;
- Work in teams, negotiate with adults and people with authority, and communicate verbally and in writing; and
- Prioritize complex tasks and learn self-direction and how to adapt.

Moreover, *A Guide to Student Technology Intern Programs in K-12 Schools* (Managing to Support Educational Achievement, May 2004) suggests there are a number of models that result in viable student support technology programs. One model is based on volunteer student technology workers. For these volunteers, work sessions are scheduled during a study hall period, during an open portion of their school day, or after regular school hours. In contrast, the *Guide to Student Technology Intern Programs in K-12 Schools* suggests compensation be provided to more experienced and productive students who may be employed seasonally or after school.

Training students in technical support provides several benefits for the District and its students. First, such a program would help to prepare students for careers in technology and educate them in technology support and deployment. Second, this would allow FHLSD to employ low-cost resources to address technology support needs. Finally, such a program creates an opportunity for the District and students to work together within the venue of technology use and support. If the District were to pursue a student technical support program, students could provide technical support for no cost and training could be integrated into the District's educational program. The District might incur costs for training materials, but these costs would vary based on the program the District chose to implement.

### *Professional Development*

**R7.6 FHLSD should create a comprehensive technology professional development program for District employees. The program should include teachers, administrators, and technology support staff. Technology Department employees should be included in the program as trainers, and as participants who would benefit from advanced training. FHLSD should develop a list of technology core competencies, assess staff technology training needs, and establish a regular training schedule to address those needs. While the District has some technology training opportunities, it should expand the technology training for staff members using in-house expertise, online training courses, and other low-cost training opportunities.<sup>5</sup> Enhancing technology training will increase staff technical capability, reduce the number of low-level issues requiring Technology Department support, and enhance the linkage between technology and instruction.**

The District has not developed a comprehensive technology professional development program for District staff. According to the survey conducted by AOS (see **Appendix 7-A**), 60 percent of FHLSD staff reported that they strongly agreed or agreed that more technology training is needed; suggesting District employees may need additional

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<sup>5</sup> Suggested sources include commercial vendors, educational technology associations, the National Educational Computing Conference (NECC), eTech Ohio, SEOVEC, and local educational institutions.

training or different types of training to optimally use the technology available to them. Based on the 2006 BETA Survey, the majority of FHLSLSD teachers report that technology professional development opportunities are at least adequate, but a somewhat higher percentage (25 percent of teachers) reported the District's technology professional development as moderately weak or very weak; this is a higher negative response rate than the peer average (14 percent) or the State average (21 percent).

The Technology Department conducts a limited amount of technology training classes for District staff. The Technology Coordinator reported that the Technology Department is attempting to offer technology trainings every other week for FY 2006-07. At the time of this audit, two classes had been offered with about ten people attending each class. The District purchased Atomic Learning, a subscription-based service that provides web-based tutorials for many common software programs and a variety of other educational resources. The Technology Coordinator indicated the District may not be able to afford the software in FY 2007-08 due to the District's financial condition. Technology Department staff participates minimally in technology professional development opportunities mostly attending SEOVEC regional monthly meetings and taking software courses such as Photoshop and Dream-weaver.

According to the *Technology Support Index* (ISTE, 2006), an outstanding organization meets the following technology professional development standards:

- A comprehensive staff development program is in place that addresses all staff. The program is progressive in nature and balances incentive, accountability, and diverse learning opportunities.
- Basic troubleshooting is built into the professional development program, and is used as a first line of defense in conjunction with technical support.
- Online training opportunities are provided for staff, both onsite and remotely, and represent a diversity of skill sets.
- A process and delivery system has been established for just-in-time training organization-wide and is used consistently.
- Expectations for all staff are clearly articulated and are broad in scope. Performance expectations are built into the work functions and are part of the organizational culture.

ISTE notes that an additional benefit of on-line training is that it increases staff capacity and reduce low-level support issues. In addition, ISTE recommends technical staff

receives ample training as a normal part of their employment, including training towards certification.

A comprehensive technology professional development program would help FHLSD staff more effectively troubleshoot their own computer problems, thereby freeing up technicians' time for more complex issues, and promote the use of technology in a more effective manner in the education process. Developing a formal professional development program for technology users will keep staff and teachers up-to-date on how to use the most current hardware and software available for instructional programs and completion of administrative tasks. Individualized programs will help identify FHLSD staff training needs and ensure areas for development are not overlooked. Through offering on-going technology professional development within the Department, technology employees will also be better able to meet the needs of the District, service District users, and be more effective at achieving Technology Department goals.

By offering on-line training, the District could make more training opportunities available without significant increases in the technology budget. Online training options could also allow staff to complete training tests and modules according to individual schedules, therefore limiting scheduling conflicts.

### *Security*

**R7.7 The Technology Department should complete and then maintain a technology inventory database to better track technology equipment. The Department should track technology equipment in accordance with the fixed asset inventory policies, any grant requirements, and the technology plan. FHLSD should conduct periodic reconciliations between the technology inventory database and the fixed asset inventory list. Completing and regularly updating the technology inventory database would help reveal any loss of equipment, and provide useful information on the status of equipment.**

FHLSD does not formally track its computer inventory; however, the Technology Department is in the process of putting together a database for tracking purposes. According to the technology plan, the database will track system repairs per computer, average yearly downtime per system, and average system costs on a per model basis. In addition, the database will track parts and labor costs. The District has a fixed asset policy (Board Policy DID) stating that the District conducts a complete physical count inventory of all District owned equipment over \$500 (including technology equipment) every five years. The policy also indicates that the inventory list is updated every year to reflect any changes. To meet the requirements of the fixed asset policy, the District has a third-party track inventory and provide annual updates.

Despite the District's fixed asset policy, the Technology Department has limited knowledge of the status and condition of technology inventory. Developing a database specifically designed for tracking technology equipment would provide more useful information to monitor the status and usage of computers and hardware. While FHLS D has addressed internal technology security issues (i.e. keycard entry system, password protection, etc.), the Technology Department has a limited understanding of the location and status of equipment and is more at risk of experiencing equipment losses or recording equipment information inaccurately. Reconciling the technology fixed asset inventory with the database will also protect the District by ensuring that grant requirements are being met and that resources are being used as planned. Since fiscal problems and cuts have been the focus of District management, the database has not been completed.

*Thirteen Tech Support Strategies* (Henderson, 2005) notes that a district should develop a database that stores information about every computer, software title, printer, digital camera/camcorder, scanner, television, VCR, DVD player, network drop, and static Internet Protocol (IP) address on campus. Keeping track of hardware and software is important for copyright enforcement, report generation, and most importantly, decision making (regarding purchasing). The elements of an effective inventory tracking system are outlined in *How to Manage Your Technology Assets Effectively* (eSchool News Online, 2001). eSchool News Online states that an inventory tracking system must be easy to update and be able to be updated by many people so that data entry does not become an information bottleneck. Staff members need to reconcile information in the system with a physical inventory on a regular basis. This will help remind all employees that information should be kept up-to-date, and should uncover problems while there is still time to solve them.

An accurate database with the proper information will enable the District to more effectively execute its computer replacement plan (see **R7.3**), avoid costly fines resulting from expired software licensing agreements, and permit better planning for the allocation of staff and support. In addition, the information will help the District ensure that equipment is not being lost or stolen. This recommendation could be implemented in-house at no additional cost to the District.

- R7.8 FHLS D should continue to develop its formal disaster recovery plan for key technology systems to guide District actions during a crisis. Developing a disaster recovery plan prepares an organization for recovery from a breach in security, a natural disaster (fire, flood, etc.), or other catastrophic event as quickly and efficiently as possible. By exploring the details of possible crisis situations ahead of time, FHLS D may be able to develop agreements and procedures that will expedite crisis decision-making and alleviate foreseeable problems. Once developed, the plan should be reviewed and updated at least annually.**

FHLSD does not have a written disaster recovery plan for technology. The Technology Department has considered necessary action steps in the event of a disaster and has some experience with electrical problems that have compromised the system. The Network Administrator has put together procedures in the event of various equipment crises situations and has compiled a list of command codes for the Technology Coordinator to use in the event of an emergency. The Network Administrator indicated that the crisis management procedures would be expanded into a more formalized plan in FY 2007-08.

**Table 7-2** identifies best practices recommended in *Safeguarding Your Technology* (NCES, 1998) for planning and development of a more comprehensive disaster recovery document.

**Table 7-2: Key Elements of a Disaster Recovery Plan**

<b>Build a disaster recovery team</b>	<ul style="list-style-type: none"> <li>Identify a disaster recovery team that includes key policy makers, building management, end-users, key outside contractors, and technical staff.</li> </ul>
<b>Obtain and/ or approximate key information</b>	<ul style="list-style-type: none"> <li>Develop an exhaustive list of critical activities performed within the district.</li> <li>Develop an estimate of the minimum space and equipment necessary for restoring essential operations.</li> <li>Develop a time frame for starting initial operations after a security incident.</li> <li>Develop a key list of personnel and their responsibilities.</li> </ul>
<b>Perform and/or delegate duties</b>	<ul style="list-style-type: none"> <li>Create an inventory of all assets, including data, software, hardware, documentation, and supplies.</li> <li>Set up reciprocal agreements with comparable organizations to share each other's equipment in an event of an emergency at one site.</li> <li>Make plans to procure hardware, software, and other equipment to ensure mission-critical activities are resumed with minimal delay.</li> <li>Establish contractual agreements with backup sites.</li> <li>Identify alternative meeting and start-up locations to be in used in case regular facilities are damaged or destroyed.</li> <li>Prepare directions to all off-site locations.</li> <li>Establish procedures for obtaining off-site backup records.</li> <li>Gather and safeguard contact information and procedures.</li> <li>Arrange with manufacturers to provide priority delivery of emergency orders.</li> <li>Locate support resources that might be needed (i.e. trucking and cleaning companies).</li> <li>Establish emergency agreements with data recovery specialists.</li> </ul>
<b>Specify details within the plan</b>	<ul style="list-style-type: none"> <li>Identify the roles and responsibilities by name and job title so everyone knows exactly what needs to be done.</li> <li>Define actions in advance of a disaster.</li> <li>Define actions to be taken at the onset of a disaster to limit damage, loss, and compromised integrity.</li> <li>Identify actions to be taken to restore critical functions.</li> <li>Define actions to be taken to re-establish normal operations.</li> </ul>
<b>Test the plan</b>	<ul style="list-style-type: none"> <li>Test the plan frequently and completely.</li> <li>Analyze test results to determine further needs.</li> </ul>
<b>Deal with the damage appropriately.</b>	<ul style="list-style-type: none"> <li>If a disaster occurs, document all costs and videotape the damage. Be prepared to overcome downtime, insurance settlements can take time to resolve.</li> </ul>
<b>Give consideration to other significant issues.</b>	<ul style="list-style-type: none"> <li>Don't make the plan unnecessarily complicated.</li> <li>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.</li> <li>Update the plan regularly and whenever changes are made to the system.</li> </ul>

Source: *Safeguarding Your Technology* (NCES, 1998), modified by Texas School Performance Review, Eagle Pass School District audit.

Without a formal disaster recovery plan that incorporates NCES guidelines, FHLSD may not be in a position to effectively coordinate responses and minimize losses in the event of a catastrophe. Because FHLSD does not conduct these necessary planning and testing elements, the District may be unable to identify problems before an actual catastrophic failure occurs. FHLSD should prepare for these issues and attempt to minimize the need

for complex decision-making during a crisis in order to reduce errors and confusion. In addition, it is important that the District conduct regular annual assessments as part of the process of crisis management to ensure the plan includes the latest technology advancements and changes within the District. FHLSD should be able to develop a formal disaster recovery plan, distribute the information, and train for its use at no additional cost to the District.

### *Communications*

**R7.9 FHLSD should expand its web site to provide the public, students, and teachers with a greater range of useful information. FHLSD should add content to its web site that includes downloadable forms, updated transportation information, donation policies, and Board meeting minutes (see also R2.5). Expanding the use of its web site would provide the public with new and important information, enhance communication and interaction between the District and the public, and save time for District staff by reducing the labor-intensive process of manually compiling information.**

FHLSD's web site does not include downloadable forms, updated transportation information, donation policies, or Board meeting minutes. FHLSD's central information pages on its web site include a school calendar, teacher help pages with trouble-shooting tips, teacher assignment pages, Board policies, planning documents (including the District's technology plan and capital improvement plan), and acceptable use policies. The Technology Department maintains only the central information pages, and the respective building administrators create and monitor the individual building web pages.

According to *Study: School Web Sites Not Making the Grade* (eSchool News Online, 2004), a school district should use its web site as a communication channel to build stronger relationships with students, parents, teachers, staff, and community residents, as well as alumni, prospective employees, journalists, and volunteers. Web technologies provide additional interactive opportunities with the community while avoiding costly postage or laborious telephone calls. Keeping various stakeholders informed enables a school district to make more fluid and efficient changes. Web sites should be consistent and easy to navigate.

By not providing key District information on its web site, FHLSD is bypassing an effective, low-cost method of communication with students, parents, and the community. The limited information on FHLSD's web site may hamper the District's ability to effectively communicate with students and parents and result in delays in the dissemination of this information from District administrators to stakeholders.

## Financial Implication Summary

The following table represents a summary of the implementation costs for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications for Technology

	Annual Implementation Costs
<b>R7.3</b> Implement a five-year replacement cycle for computers.	\$77,000
<b>Total</b>	<b>\$77,000</b>

Source: AOS recommendations

## Appendix 7-A: Employee Survey Responses

AOS administered a survey to FHLSD's approximately 190 employees to obtain feedback and perceptions concerning technology issues. The survey was completed by 105 employees, 97 (92 percent) of which completed the technology section of the survey. The overall participation rate for the AOS survey was approximately 55 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 7-A1** illustrates the results.

**Table 7-A1: Technology Survey Responses <sup>1</sup>**

Survey Questions	Survey Results
<b>Administrative Software</b>	
<b>1.) Users know all major software functions in their departments</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	0% <b>35%</b> 20% 11% 2%
<b>2.) Software meets user needs</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	2% <b>38%</b> 20% 5% 2%
<b>3.) Software is used effectively and efficiently</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	1% <b>32%</b> 23% 11% 1%
<b>4.) Users get help when needed</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	3% <b>32%</b> 20% 14% 4%
<b>Instructional Software</b>	
<b>5.) Users know all major software functions in their departments</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	1% <b>39%</b> 23% 14% 6%

Survey Questions	Survey Results
<b>6.) Software meets user needs</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	2% <b>43%</b> 22% 11% 5%
<b>7.) Software is used effectively &amp; efficiently</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	2% <b>39%</b> 21% 17% 5%
<b>8.) Users get help when needed</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	5% <b>33%</b> 26% 17% 8%
<b>All Users – Software Training</b>	
<b>9.) Administrative/office software training meets user needs</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	1% <b>30%</b> 24% 8% 2%
<b>10.) Instructional/classroom software training meets user needs</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	3% <b>39%</b> 23% 13% 3%
<b>11.) Training facilities meet user needs</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	7% <b>37%</b> 23% 8% 4%
<b>12.) Training programs are useful</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	10% <b>41%</b> 27% 4% 3%
<b>13.) Users feel more training is needed</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	18% <b>42%</b> 22% 1% 0%

Survey Questions	Survey Results
<b>General Computer Operation/Data</b>	
<b>14.) Computer systems are reliable</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	5% <b>33%</b> 18% 26% 12%
<b>15.) Speed of data processing is satisfactory</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	7% <b>47%</b> 20% 10% 7%
<b>16.) Access to printer is adequate</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	3% <b>55%</b> 15% 13% 6%
<b>17.) Systems contain compete and accurate data</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	4% <b>45%</b> 26% 9% 3%
<b>18.) Data from computer systems is useful for decision-making or monitoring</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	7% <b>40%</b> 32% 6% 2%
<b>Technical Assistance</b>	
<b>19.) Technical assistance is easily accessible</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	3% <b>32%</b> <b>27%</b> 24% 8%
<b>20.) Requests for assistance are answered in a timely manner</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	3% <b>41%</b> 22% 21% 7%
<b>21.) Computer repair services are easily accessible</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	1% <b>28%</b> 27% 27% 8%

Survey Questions	Survey Results
<b>22.) Computer repair requests are answered in a timely manner</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>3%</li> <li>27%</li> <li><b>31%</b></li> <li>25%</li> <li>7%</li> </ul>
<b>23.) Technology staff is able to resolve hardware problems</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>7%</li> <li><b>47%</b></li> <li>28%</li> <li>8%</li> <li>2%</li> </ul>
<b>24.) Number of technology personnel is adequate to provide support</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>1%</li> <li>22%</li> <li>16%</li> <li><b>34%</b></li> <li>20%</li> </ul>
<b>25.) I am satisfied with technical assistance provided by the District</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>2%</li> <li><b>30%</b></li> <li><b>30%</b></li> <li>20%</li> <li>10%</li> </ul>
<b>26.) Electronic mail is widely used</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>22%</li> <li><b>54%</b></li> <li>7%</li> <li>5%</li> <li>3%</li> </ul>
<b>27.) Internet is used to access information</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>22%</li> <li><b>59%</b></li> <li>13%</li> <li>1%</li> <li>0%</li> </ul>
<b>28.) I use the District's intranet to access information or stay informed</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>22%</li> <li><b>45%</b></li> <li>13%</li> <li>5%</li> <li>1%</li> </ul>
<b>29.) District building administration supports the integration of technology into the curriculum</b> <ul style="list-style-type: none"> <li>• Strongly Agree</li> <li>• Agree</li> <li>• Neutral</li> <li>• Disagree</li> <li>• Strongly Disagree</li> </ul>	<ul style="list-style-type: none"> <li>18%</li> <li><b>48%</b></li> <li>13%</li> <li>10%</li> <li>3%</li> </ul>

Source: AOS survey of FHLSD employees

<sup>1</sup> For each statement, percentages do not add up to 100 percent because respondents indicating no opinion or N/A were omitted from the table.

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## **District Response**

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

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# FEDERAL HOCKING LOCAL SCHOOLS

8461 State Route 144  
P.O. Box 117 Stewart, OH 45778

Telephone 740-662-6691

Toll Free: 1-877-492-2841

FAX: 740-662-5065

Monday, August 27, 2007  
170-07

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

**RECEIVED**

AUG 28 2007

MARY TAYLOR, CPA  
AUDITOR OF STATE

Dear Auditor Taylor:

As you are aware, the Federal Hocking Local School District has been placed in Fiscal Emergency. 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 Federal Hocking 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 four years ago, the district has eliminated fifty-two (52) positions. More positions will be eliminated and other cost saving measures will be taken so that we can become a financially stable district.

The Federal Hocking 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 time, the district recognizes that additional improvements must be implemented. The Federal Hocking Local Board and administration will thoroughly review each recommendation and implement those needed so that the district will be out of Fiscal Emergency as quickly as possible.

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

Sincerely,

James R. Patsey  
Federal Hocking Local Superintendent

CC: Treasurer and Board of Education Members  
File