



**Auditor of State
Betty Montgomery**

FOSTORIA CITY SCHOOL DISTRICT PERFORMANCE AUDIT

DECEMBER 28, 2006



Auditor of State Betty Montgomery

To the Residents and Board of Education of the Fostoria City School District:

In September of 2005, the Fostoria City School District contacted the Auditor of State's Office (AOS) to initiate a performance audit. The Board of Education requested a review of the efficiency of staffing levels and work distribution, as well as operations, management and public reporting in the Treasurer's Office. In January 2006, initial planning interviews were held with the District and audit fieldwork began in April 2006.

The performance audit contains recommendations which identify the potential for operational enhancements and efficiency improvements. While the performance audit provides an independent assessment of operations, the recommendations contained within the performance audit should be viewed as resources intended to assist in improving the Treasurer's Office. The District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

The report includes the project history; a district overview; the scope, objectives and methodology of the performance audit; a summary of noteworthy accomplishments and recommendations. This report has been provided to the District 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 improving the Treasurer's Office 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 28, 2006

Treasurer's Office

Project History

The Fostoria City School District Board of Education engaged the Auditor of State's Office in September 2005 to conduct a performance audit. The Board requested an independent assessment of the operations within the Fostoria City School District Office of the Treasurer. The purpose of the performance audit is to examine the efficiency of staffing levels and work distribution within the office, as well as the efficiency of the Treasurer's Office operations, management and public reporting. In January 2006, initial planning interviews were held with the District and fieldwork began in April 2006.

Objectives, Scope, and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between January and August 2006. To complete this report, auditors gathered and assessed data from various areas, conducted interviews with administration members and staff, and compared District practices to best practice information from the Florida Office of Program Policy and Government Accountability (OPPAGA), the Ohio School Boards Association (OSBA), and the Government Finance Officers Association (GFOA). Additional comparisons using other benchmarks and best practices are identified throughout the report.

Recommendations contained within this report seek to assist Fostoria CSD in its mission to provide quality education through enhancing the operations of the Office of the Treasurer. Based on a discussion with Board members and administrative staff, the following areas of Treasurer's Office operations were selected for this performance audit.

- Departmental policies and procedures, information systems, internal controls and segregation of duties, and coordination of effort;
- Departmental relations, internal and external financial reporting;
- Staff training and career development; and
- Job descriptions, job requirements, staffing levels and workload.

The performance audit process involved significant information sharing with the Treasurer's Office, including discussions of preliminary drafts of findings and recommendations as they were developed. In addition, interviews with Board Members provided information about their working relationships with the Superintendent and Treasurer. Status meetings with Board members and District administration were held during the engagement to inform the Board of

key issues and proposed findings and recommendations. Finally, the District provided comments in response to various recommendations which were taken into consideration in the reporting process.

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

Background

This performance audit focuses on the Fostoria City School District (Fostoria CSD) Treasurer's Office operations. Ohio Revised Code (ORC) § 3313.22 to 3313.32 sets forth requirements for school treasurers and governs their duties and responsibilities. For example, a school treasurer is appointed by a board of education (ORC § 3313.22) and is the chief financial officer for the school (ORC § 3313.31). Clearly defined responsibilities, as outlined in the ORC, enhance checks and balances within the organization of the District.

Organizational Structure and Function

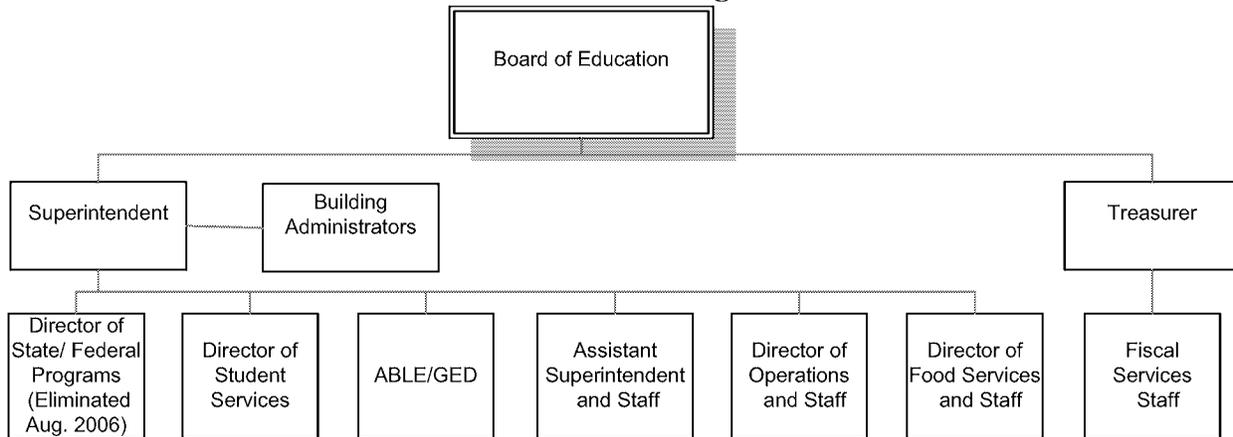
The Fostoria CSD Treasurer's Office currently has four full time equivalent (FTE) employees including the Treasurer; Classified Payroll Clerk; Certificated Payroll Clerk; and Accounts Payable Clerk. The Treasurer is primarily responsible for developing the annual budget in conjunction with the Superintendent, developing the five-year financial forecast, and producing calculations to show the effects of potential negotiated items during contract negotiations. The Certificated Payroll Clerk is responsible for the certificated staff payroll which includes making State Teacher Retirement System (STRS) payments, maintaining deposit and service records, and completing State and federal tax forms for certificated employees. The Classified Payroll Clerk is responsible for classified payroll which includes making State Employee Retirement System (SERS) payments, maintaining deposit and service records, completing State and federal tax forms for classified employees, and calculating union dues for classified staff. The payroll clerks also serve as a resource to their respective employee classes concerning District fringe benefits. The Accounts Payable Clerk is responsible for requisitions, purchase orders, invoices, student activities accounts, matching invoices to purchase orders, verifying dollar amounts in accounts, posting receipts, and refunds.

During the performance audit, the District's Treasurer accepted a position at another Ohio school district. The Board hired an interim Treasurer and a financial consultant to ensure the continuation of appropriate fiscal operations until the search was completed and a new Treasurer was hired.

Staffing

Chart 2-1 illustrates the organizational structure of Fostoria CSD. Specifically, it illustrates the reporting structure within the District, and how various departments are related to each other. Within this organizational structure, the Treasurer develops relationships with the District’s departmental heads.

Chart 2-1: Fostoria CSD Organization Chart



Source: Fostoria CSD Treasurer’s Office.

Chart 2-1 shows that most District departments report directly to the Superintendent, who in turn, reports to the Board of Education. The Treasurer reports directly to the Board of Education and oversees the Fiscal Services staff.

Noteworthy Accomplishments

During the course of this performance audit, the following noteworthy accomplishments or best practices were identified.

- Online Financial Information:** Monthly budgetary reports are available online for District administrators. Also, reports on grant funding are available. This allows relevant personnel to have immediate access to the current status of their budgets, revenues, and expenditures. Additionally, because of this capability, the Treasurer’s Office has the option to stop producing physical copies of the monthly budgets, saving the cost of printing and employee time.

- **Communication with the Board of Education:** The Fostoria CSD Treasurer’s Office generally meets best practice standards for board communication as highlighted by the Florida Office of Public Policy and Governmental Accountability. These practices include providing monthly reports, easy-to-read financial documents, updates, and explanations of changes in available funding.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, an assessment was conducted on the District’s information systems within the Treasurer’s Office. This assessment did not warrant changes and did not yield recommendations as noted below.

- **Information Systems:** Fostoria CSD uses State-developed software, Uniform School Payroll System (USPS) and the Uniform School Accounting System (USAS), for most of its fiscal activities. It uses this software for purchasing, accounting, and human resource information (i.e. insurance information, retirement eligibility tracking). Additionally, District personnel have received training on the software, are competent in its use, and are aware of software features. As a result, no recommendation is warranted.

Recommendations

R2.1 The Board of Education should develop benchmarks and performance measures to monitor the Treasurer's Office efforts to meet Board-defined goals and objectives. In addition, the Treasurer should use an expanded set of workload measures to track employee productivity. These measures should be used in conjunction with a set of established benchmarks and goals to better monitor the efficiency and effectiveness of all fiscal operations.

The Treasurer's Office provided workload data for FY 2004-05, including the number of purchase orders processed in a fiscal year and the number of checks processed in a fiscal year, aggregated as a department. However, the Treasurer's Office did not compare this data to benchmarks or performance data from previous years, nor was there evidence of previous benchmarking efforts.

There are currently three staff members in the Treasurer's Office: a Classified Payroll Clerk, a Certificated Payroll Clerk, and an Accounts Payable Clerk. Although each Treasurer's Office employee has unique assigned tasks, some tasks are shared among the 3 FTEs while others require them to work together. For example, the two payroll clerks work together primarily to produce the District's payroll report. Each payroll clerk is responsible for entering payroll data for their respective groups; the Certificated Payroll Clerk enters attendance information for certificated staff, while the Classified Payroll Clerk enters attendance information for classified personnel. The Accounts Payables Clerk has previously held the position of a payroll clerk and is able to serve as a resource should the need arise.

As indicated by the Treasurer, office staff have been in place from one to three years and staff development has focused on learning and becoming proficient in their assigned duties. As a result, the Treasurer's Office has not implemented a system of performance measures. Performance measures would allow employees, both new hires and veteran employees, as well as management to identify the level of success for staff training, assess areas of ongoing training, and identify training needs.

Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (Ammons, 2001) states that successful organizations set clear goals and measure progress toward them.

- They clearly define the nature and scope of their function, mission, and activities.
- They set clear objectives.

- They set priorities, concentrate on the most important objectives, and set standards of performance for themselves.
- They measure performance, analyze the results, and work to correct deviations from established standards.
- They regularly conduct audits of performance to ensure that the management system continues to function properly.

When properly developed and administered, a performance measurement and monitoring system can offer important support to a host of management functions. **Table 2-1** provides sample performance measures that the Treasurer’s Office can implement for staff. It is important to note that, according to Ammons, the value of workload measures is limited. Much better insight into the performance of organizations can be gained from efficiency, effectiveness, and productivity measures.

Table 2-1: Performance Measures for Treasurer’s Office Staff

Position	Workload Measure	Efficiency Measure	Effectiveness Measure	Productivity Measure
Classified and Certified Payroll Clerk	Time to review and confirm attendance records	Number of attendance records reviews per hour	Treasurer/ Supervisor review and subsequent error rate	Total hours to complete the attendance record entry and payroll process before USPS data entry
Classified and Certified Payroll Clerk	Data entry of records per hour	CPU report of input errors	Treasurer review for accuracy	Cycle time to process payroll and stuff envelopes
Accounts Payable Clerk	Total number of invoices processed	Number of invoices per hour	Number of errors found or invoices that were redone	Number of invoices paid on time or with early payment discount

Source: *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards* and District information.

Performance measures established for the Treasurer should include submission of federal and State reports in a timely manner, efforts to address financial audit management letter comments, and meeting professional development goals and requirements for the Treasurer and Office staff.

Once performance measures are established, the Board should monitor the Treasurer’s performance and the Treasurer should monitor individual staff performance to support and improve management functions, such as accountability, planning/budgeting, operational improvement, performance appraisal, reallocation of resources, and directing operations.

R2.2 The Fostoria CSD Treasurer’s Office should reconsider minimum qualifications for staff in the Treasurer’s Office. While basic bookkeeping skills and an understanding of advanced mathematical concepts are mentioned in the hiring requirements, additional experience or certification, such as previous experience in an accounting position would benefit the District.

Further, the Treasurer’s Office should develop job descriptions that represent the daily responsibilities of each position. The job description could state that the position includes some, but not all, of the listed responsibilities. By ensuring that job descriptions accurately depict employer expectations and employee responsibilities, the Treasurer’s Office staff will be able work efficiently and provide a successful work environment.

During the audit, the Treasurer expressed an interest in raising the qualifications of current staff to meet job expectations. The Treasurer has taken additional responsibilities and would like to shift some of those responsibilities back onto staff but has been unable to do so. A review of the staff resumes shows that while one staff member has had previous financial experience, other staff members have not, even though the job descriptions list bookkeeping experience as a prerequisite. Other skills and requirements listed are general office skills such as multi-tasking, data entry, and a high school diploma or equivalent.

Position descriptions can be useful and relevant in determining the qualifications to be used in making hiring decisions. While the job description contents appear to meet best practice indicators, they do not include job qualifications that are in line with District expectations. Not all employees in the Treasurer’s Office have a financial background or previous experience and may require additional time and training to become efficient in the performance of expected job duties. In addition, the position descriptions may not reflect the employee’s actual day-to-day activities.

Position descriptions can also be useful in determining the responsibilities of a position. The District has one job description, approved by the Board of Education, that covers the Treasurer’s Office employees and it was in place when the Treasurer joined the District three years ago. It has been updated by the Treasurer within the last year, and includes:

- Position title;
- Job objectives;
- Minimum qualifications;
- Responsibilities and essential functions;
- Abilities required;
- Working conditions; and
- Performance evaluation method.

The job description is a compilation of the responsibilities and essential functions of all three positions and is referred to as a fiscal services specialist, which is similar to the description associated with a bookkeeper¹. All of the responsibilities are allocated among the 3 FTEs in the Treasurer's Office and, in general, these duties are completed by a single individual – the responsibilities do not overlap positions.

The Florida Office of Program Policy and Government Accountability (OPPAGA) states that school districts should maintain clearly defined descriptions for all positions. Job descriptions should clarify responsibilities within the district, define relationships among individuals/departments, and facilitate communication. The job description should communicate to potential employees the job responsibilities and expectations and should be used throughout the hiring process. For example, it is important to identify the difference between a bookkeeper (basic transaction entry responsibilities) and an accountant (accounting decision-making responsibilities) in the position.

Fostoria CSD should revise job descriptions to better reflect the actual duties that could be assigned and require an increased level of qualifications and experience. To encourage Treasurer's Office staff to develop formal accounting skills, continuing education incentives could be offered. Additionally, if a vacancy occurs at some point in the future, the Treasurer should fill the position with an individual meeting the higher qualification requirements.

R2.3 The Treasurer's Office should develop formalized training policies for staff and begin tracking the type and cost of training. Maintaining key documentation like training plans and schedules, summaries of training hours attended, and results of needs assessments provides ongoing information to District administration. This will help to encourage the efficient use of training resources, which, in turn, will maintain high levels of productivity among Treasurer's Office staff.

The District does have formal training policies but according to Board interviews, the Treasurer's Office staff has not been able to take advantage of a wide range of training opportunities. The Treasurer locates outside training opportunities and the department staff attends together. Most often, this training is State-sponsored or through the District's regional computer network, the Northern Ohio Educational Computer Association and are presented in a meeting format. Furthermore, Treasurer's Office staff attended trainings hosted by OASBO, STRS, and SERS. Training records for Treasurer's Office staff are not tracked.

¹ A bookkeeper serves as an organization's financial record keeper. He or she updates and maintains one or more accounting records, including those which tabulate expenditures, receipts, accounts payable and receivable, and profit and loss.

Treasurer's Office employees have access to funds for training, and the Treasurer's Office total annual budget has increased between 2 to 3 percent each year. However, based on the District's financial reports, the Treasurer's Office budget is maintained at a fund level and does not specify how funds are to be spent (i.e. office of the treasurer, payroll services). As a result, the District has difficulty tracking how much it has spent on Treasurer's Office staff training.

OPPAGA recommends that all districts have training and professional development processes for financial services staff. Training for non-instructional employees should contain a balance of training for new and veteran employees, helping new employees learn the basic skills necessary to do the job, and providing veteran employees opportunities to improve and expand their skills. By providing training opportunities open to all Treasurer's Office staff, employees are able to develop new skills, as well as maintain and expand current skills.

Additionally, districts should have adequate controls to ensure that training funds are allocated to district training priorities and that results are captured appropriately. OPPAGA has developed the following list of key documentation that will help districts meet best practice standards and ensure effective training for staff:

- Training plans/schedules;
- Training policies/procedures;
- Results of recent needs assessments;
- District data on training costs for past three years; and
- Summary data on the number of training hours for past two years, sorted by job classification.

By maintaining training records, the Treasurer's Office can better track the new skills developed by employees and highlight opportunities for career development in problem areas. Tracking of training records and costs could be completed at no additional cost to the Treasurer's Office.

R2.4 Fostoria CSD Treasurer's Office should update its policy and procedure manuals to include additional best practice elements. Specifically, District policies should touch on all major fiscal activities, while District procedures should provide guidance in all required functions including:

- **Budget modifications;**
- **Funding proposals and applications;**
- **Revenue from taxes; and**
- **Petty cash.**

Additionally, the Treasurer's Office should periodically review these documents to ensure that they are up to date and relevant.

The Treasurer's Office has procedures in place for its staff. The written procedures include payroll and purchasing, but not cash receipt functions. As procedures have changed, documents have been marked by hand to reflect those changes. However, there are no dates of revision to indicate the timing of changes to the procedures.

The District also has a policy manual, last revised in 2005, that has been adopted by the Fostoria CSD Board of Education. This manual includes a section on finance and covers topics such as budget and budget planning; appropriations and requisitions; payment procedures; investments; fixed assets; and reimbursement. For example, policy 5.02 describes purchasing and procurement procedures and the exception to the policy (e.g. petty cash purchases). The policy also addresses purchase orders. The Board of Education has a policy subcommittee, made up of two Board members and the Superintendent (as well as the Treasurer if the policy is finance related), charged with updating policies.

The Governmental Finance Officers Association (GFOA) provides guidelines for an effective policies and procedures manual. Specifically, GFOA recommends that accounting policies and procedures should be updated periodically according to a predetermined schedule. GFOA also states that documentation concerning accounting policies and procedures should be readily available to all employees who need it. The policies and procedures should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. A well-designed and properly maintained system for documenting accounting policies and procedures enhances both accountability and consistency.

The Ohio School Boards Association (OSBA) produced a model financial policy manual that includes mandated and recommended policies. Federal and State requirements for fiscal management are addressed by the following policies:²

- Annual budget and appropriations measure;
- Budget planning;
- Budget modification authority
- Funding proposals and applications;
- Revenue from tax sources;
- Revenue from investments;

² OSBA compiled requirements from the: federal Department of Education, Ohio Department of Education, Auditor of State of Ohio, Ohio Revised Code, and Ohio Administrative Code into a model policy manual. District boards of education can adopt the model policies to ensure compliance with those requirements.

- Inventories (fixed assets);
- Petty cash; and
- Expense reimbursements.

While Fostoria CSD policies include most of what is required, they do not include policies for budget modifications, funding proposals and applications, revenue from taxes, or petty cash.

The recommended policies in the OSBA model policies manual also cover a wide range of topics that are not included in the District's policy manual. These include the following:

- Revenue from non-tax sources, including rental charges, and gate receipts/admissions;
- Depository of funds, including authorized signatures;
- Specific purchasing functions, including vendor relations and cooperative purchasing;
- Cash in school buildings; and
- School properties disposal procedures.

Fostoria CSD has not formally updated its policies and procedures, in part because there is no formal procedure in place that calls for updates or reviews. This has resulted in some missing policies and procedures, such as the omission of a budget modification policy and a cash receipt procedure. By setting a regular schedule for review and comparing existing policies to recommended policies, the Treasurer's Office can ensure that financial policies are up-to-date and cover all common accounting and financial management areas.

R2.5 The Fostoria CSD Treasurer's Office should work to improve coordination and cooperation with other District departments. Specifically, the Treasurer's Office should consider the following:

- **Developing a detailed budget preparation manual, submitting it to the Board of Education for review and approval, and distributing it to relevant District personnel.**
- **Scheduling budget workshops for department heads and school administrators to develop an understanding of their responsibilities related to District finances.**
- **Maintaining formal communication with department heads and building principals throughout the year to ensure that they have accurate budgetary information that is useful to them.**

Interviews with District supervisors indicated that not all accounts are updated appropriately, leaving them without an accurate picture of the current status of their accounts. Additionally, District personnel are unable to interpret financial records provided by the Treasurer's Office. The inability of department heads to use available budgetary information is a sign that cooperation and coordination between the Treasurer's Office and other departments is not as effective as it could be.

A detailed budget manual can serve as a point of reference for budget discussions and planning. Budget workshops can also provide learning opportunities for District staff and allow them to better understand the financial reporting process, leading to improved internal communication.

The San Angelo Independent School District (SAISD) developed a detailed budget preparation manual that was distributed to all personnel responsible for preparing the 2001-02 budget. The manual provides a general background of the goals and objectives of the budget process to assist each responsible party in understanding their role in the process and gives a summary of the district's budget requirements and general instructions. SAISD formats budget worksheets for each department and school to meet their specific needs. The district also includes the previous year's budget data as a guideline along with basic departmental and school allocations to provide the district staff with a starting place. This process encourages effective intra-district understanding and cooperation in regard to budgetary issues.

If all stakeholders in Fostoria CSD had a clear understanding of their relationship with District finances, they would be able to effectively cooperate and communicate their financial needs to the Treasurer's Office. To achieve a greater level of understanding and buy-in on the budgeting process, District personnel should be more actively involved in, and educated about, their part in the budgeting process. Throughout the year, District personnel should be encouraged to work with the Treasurer's Office to effectively meet their budgetary goals and objectives.

R2.6 Fostoria CSD should implement the recommendations provided in its financial audit management letters. Efforts should be made to ensure timely reporting of any changes in appropriations and changes to district budgets. The Board of Education's Audit Committee can take the lead in these efforts. Doing so would enable District leaders to have accurate financial information and guarantee compliance with all State requirements for financial reporting.

The District was cited in the last financial audit management letter for recurring problems with budget reports and reconciliations of financial statements. For example, when staff members spend more than the amount allotted to their account, they are required to complete a form to transfer monies from another account assigned to them to prevent any

negative balances. However, budget reports and changes in appropriations are not always updated in a timely manner by the Treasurer's Office. This results in what appears to be a negative fund balance for the account, even after the form to transfer funds has been submitted.

Steps have been taken to rectify some of the citations in the FY 2003-04 management letter. Generally Accepted Government Auditing Standards (GAGAS) require auditors to include consideration of significant findings and recommendations from prior audits that affect the objectives of the current audit, as well as the Treasurer's Office efforts to comply with the recommendations. Additionally, GAGAS states that managers of an audited entity are responsible for addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendation. The following are citations listed in the District's FY 2003-04 management letter, which accompanied its fiscal audit, followed by suggested actions.

- **Ohio Revised Code Section § 5705.41(B)** states that no subdivision is to expend money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Board of Education.
- **Ohio Revised Code § 5705.36 and § 5705.39** state total appropriations made during the fiscal year from any fund shall not exceed estimated resources. These sections further state that no appropriation measure shall become effective until an amended certificate has been obtained.

The GFOA recommends that an organization evaluate its financial performance relative to the adopted budget. Budget-to-actual or budget-to-projected comparisons of revenues, expenditures, cash flow, and fund balance should be periodically reviewed during the budget period. In addition to monitoring budget-to-actual results, reasons for deviations should be evaluated. These factors are important in assessing the significance of variations, including whether they are expected to be temporary or longer-term in duration.

Additionally, the budget should be adjusted during the budget period if unforeseen events require changes to the original budget plan. Organizations should have procedures in place to determine when deviations from the budget plan merit adjustments to the budget. Final changes to the budget should be reported and acted upon by the Board. The timing and manner in which this is done depends on the stakeholder group and the level of materiality of the changes.

- **Ohio Revised Code § 5705.41(D)(1)** states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

The Texas Education Agency provides guidelines for an effective purchasing control environment. Specifically, all desired purchases should have an approval of the purchase order(s). The purchasing director or other designated official should review for compliance before approving purchase orders for issuance to vendors. If a purchase is to be federally funded, approval should first be obtained from a special programs administrator. Additionally, vigilant supervision of the entire purchasing function on a daily basis is essential.

- **Ohio Revised Code § 5705.38** states a board of education shall pass its annual appropriation measure by the first day of October. The District operated on a temporary appropriation measure until February 23, 2005, when the permanent appropriations were filed with the County Auditor. We recommend the District approve and file its permanent appropriation measure before October.

GFOA also recommends budget calendars as a tool to keep participants in the process on track. Statutory deadlines in the calendar should be highlighted. The calendar should make clear the relationships between various processes and should be developed to coordinate these processes. For example, a calendar may illustrate the relationship of the operating and capital budget processes, or the processes of revenue forecast revision and budget reconciliation. The development of a budget calendar is typically guided by statutory deadlines. Calendar development should also take into account other key organizational dates that affect participants in the budgetary process.

Another tool recommended by GFOA is budget guidelines, which are specific to the particular budget under development and incorporate relevant aspects of the government's financial policies. They may set forth financial constraints and key assumptions that will be used to guide development of the budget, as well as policy direction. Instructions often include sample forms to be completed by operating departments or program heads. Guidelines and instructions should be prepared in a written format but may also be presented in an electronic format or through training and/or an oral presentation. Involving stakeholders in guideline development, where possible, helps promote buy-in.

- **Ohio Revised Code § 5705.10** states money that is paid into a fund must be used only for the purposes for which such fund has been established. As stated before, documentation provided to Auditor of State staff shows that there are a number of accounts in the Fostoria CSD's monthly budget reports showing a negative balance.

Timely changes to appropriations ensure an accurate picture of the financial health of the District. Likewise, compliance with ORC requirements for District finances will help Fostoria CSD maintain better control of its finances and appropriations.

R2.7 Fostoria CSD should improve community access to the District's financial reports on its website. Specifically, the website should include financial reports such as the five-year forecast, budget appropriations, budget analyses, and/or annual reports. Community members who are not familiar with school accounting and financial reporting should be able to understand the reports.

The Treasurer's Office works to communicate District financial matters to the local community through a variety of methods. The Treasurer has presented an end-of-the-year report, produced informational brochures, and the District has been able to use the local radio station to provide information concerning recent levies. Additionally, the Treasurer is interested in developing the District website to include relevant information for the public, such as the five-year forecast and monthly financial reports. There are no financial reports available on the Fostoria CSD website; however, at the time of this audit the District was in the process of developing the web capabilities to post financial documents.

GFOA recommends that every entity publish its budget document and comprehensive financial report on its website. GFOA further recommends that governments comply with the following guidelines when presenting these documents online:

- The electronic budget document and the electronic comprehensive financial report should be identical to the printed versions of these documents.
- 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 and comprehensive financial reports 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.

The objectives of the budget document and the five year forecast can only be fully realized if they are readily available to all interested parties. GFOA encourages organizations to supplement their larger financial reports with simpler, popular reports designed to assist those who need or desire a less detailed overview of an entity's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that the data in the popular report should be extracted from the financial documents and issued in a timely manner. The scope of the popular report should be clearly indicated and the popular report should mention the existence of the main financial document for the benefit of readers desiring more detailed information.

GFOA notes that a popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format and be written in a concise and clear style. The report's message should be underscored by photographs, charts, or other graphics. The narrative should be used, as appropriate, to highlight and explain items of particular importance. Comparative data should be used to help identify trends useful in the interpretation of financial data.

Additionally, popular report preparers should strive for creativity; and should encourage users of the reports to provide feedback. Most important, the popular report should establish its credibility with its intended readers by presenting information in a balanced and objective manner. Popular reports should be posted on the entities web site, as well.

Westerville City School District (Westerville CSD) has been highly successful in sharing financial information with its community. Westerville CSD has a well-developed website where viewers can access reports concerning budget and appropriations, taxes, millage, valuation, and annual reports. Additionally, the website includes current reports as well as previous reports.

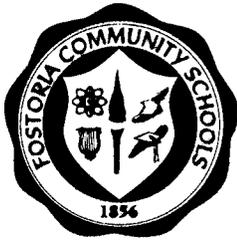
By putting financial documents on the website, the District could provide the community with easy access to relevant information. Moreover, popular reports will not confuse or frustrate those unfamiliar with financial documents.

Summary

The Fostoria City School District's Board of Education took a proactive approach to analyzing and assessing the activities and operations of the Treasurer's Office by engaging the Auditor of State's Performance Audit Section to conduct an assessment and present findings and recommendations for improvement. The results of these assessments show that the District Treasurer's Office generally conducts operations in line with best practices. However, interviews indicated strained relations between the Treasurer, the Superintendent, and the Board of Education. The Treasurer provides easy-to-read, reliable, and timely budget and grant fund reports to District managers and provides informative reports to the Board. However, according to several Board members, reports were not detailed enough nor were financial questions fully answered.

The recommendations for improvement included in this report focus on policy and procedures, performance measures, staff qualifications, and departmental relationships, and will help the District enhance its operation and provide a blueprint for subsequent treasurers and staff. In addition, the recommendations can be implemented by current staff with no significant impact to District financial resources.

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FOSTORIA COMMUNITY SCHOOLS

Phone: 419-435-8163
Fax: 419-436-4153

500 Parkway Drive
Fostoria, Ohio 44830
www.fostoria.k12.oh.us

Dr. Cynthia A. Lemmerman
Superintendent
clemmerman@fostoriaschools.org

David G. Burget
Treasurer

Rod Echelberry
Director of Operations

Dr. Constance J. Dorr
Assistant Superintendent
cdorr@fostoriaschools.org

Deb Pirolli
Director of Student Services
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December 11, 2006

Office of the Auditor of State of Ohio
Betty Montgomery, Auditor of State
88 E. Broad Street
Columbus, OH 43215

Dear Auditor of State,

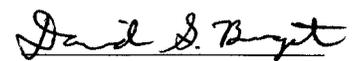
In response to the 2006 Performance Audit, the Fostoria City Schools Treasurer's office is in the process of implementing the following:

1. Fostoria City Schools is updating the budget reports and changes to appropriations in a timely manner. The Audit/Finance Committee will take a lead role in their monthly meetings.
2. Fostoria City Schools is addressing and implementing recommendations provided in past financial audit management letters. For example, the permanent appropriation measure was passed this year before October 2006 (Board of Education meeting held August 21, 2006) and filed with the county auditor the following day.
3. Fostoria City Schools has improved community access to financial reports on the district website (see Fiscal Department). The website has been revised to include the link to the district's five year forecast on the Ohio Department of Education website. The website has had the capacity to view past financial documents. We will continue to work on the availability to additional reports.
4. Fostoria City Schools has updated the district organizational chart to reflect current administration staff. The district eliminated the Director of State and Federal Programs, Director of Gifted Education and Director of Special Education positions. The Director of Student Services replaced the Director of Special Education position at the start of the 2005-2006 school year. The district has reduced seven (7) administrative positions since 2002.
5. Fostoria City Schools will revise/modify staff job descriptions as part of the yearly evaluation process (2006-2007).
6. Fostoria City Schools Treasurer's office will review policy and procedural manuals with the Board of Education Policy Committee. A timeline of periodic review will be established. The district has requested policy assistance from OSBA.

Respectfully Submitted,


Linda R. Anderson
Board of Education President


Cynthia A. Lemmerman, Ed. D.
Superintendent of Schools


David G. Burget
Treasurer



**Auditor of State
Betty Montgomery**

Office of the Auditor of State of Ohio
Betty Montgomery, Auditor of State
88 E. Broad Street
Columbus, Ohio 43215
(800) 282-0370
www.auditor.state.oh.us