



Mary Taylor, CPA
Auditor of State

LAKOTA LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

FEBRUARY 27, 2007



Mary Taylor, CPA Auditor of State

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

Consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, the Ohio General Assembly provided funding for comprehensive performance audits of selected Ohio school districts. Based on a request from the Board of Education, the Lakota Local School District was selected as one of the initial school districts to receive a comprehensive performance audit.

The five functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, and technology. These areas were selected because they are important components of the District's operations which support its mission of educating children, and because improvements and cost reductions in these areas can assist Lakota Local School District in maximizing spending targeted at direct instruction.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Lakota Local School District's financial situation. While the recommendations contained within the performance audit are resources intended to assist in improving its overall financial condition, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a district overview; objectives; the scope and methodology of the performance audit; and significant noteworthy accomplishments, key recommendations, and financial implications. This report has been provided to Lakota Local School 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 for further enhancing overall operations and service delivery.

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

Sincerely,

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

MARY TAYLOR, CPA
Auditor of State

February 27, 2007

Executive Summary

Project History

In accordance with House Bill 66 (HB 66) § 206.09.12, the 126th General Assembly provided funding to conduct comprehensive performance audits consistent with the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success. The performance audits of selected Ohio school districts will be used to identify practices and procedures that may result in greater efficiency or effectiveness within Ohio school districts. Based on the comprehensive performance audit model, the performance audit of Lakota Local School District (LLSD) included reviews of the following operational areas:

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

District Overview

LLSD operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District. The District encompasses 67 square miles in Butler County. Lakota LSD was created by the merger of the Union and Liberty school districts in the late 1950's. According to ODE, the District's FY 2004-05 average daily membership (ADM) was 16,961. LLSD serves a very high growth area with about 500 new students entering the District each year. As a result of the rapid growth, LLSD adds additional school buildings every year or two. The large number of new students in the District presents special challenges to LLSD for transportation services, facilities, staffing and technology needs.

LLSD operates 20 schools: 12 elementary schools (grades pre-K thru 6), 4 junior high schools (grades 6 thru 8), 3 high schools (grades 9 thru 12), and 1 alternative school for high school age students which is staffed by Butler Technology and Career Development Schools (Butler Tech). LLSD opened two elementary schools in FY 2007-08 and a freshman school in FY 2008-09. LLSD also has a Central Office Building and a Service Center for a total of 22 buildings.

According to the 2000 U.S. Census, the area in which LLSD is located had a population of 55,358, including 16,678 residents (30.1 percent) under 18 years of age. The median household income was \$47,679 compared to the national average of \$41,994, while 8.9 percent of the

families lived below the poverty line compared to the national average of 9.2 percent. In addition, 76.4 percent of the area's residents had at least a high school education while 19.3 percent of the residents had a bachelors degree or greater. For FY 2004-05, ODE estimated a population density of 1,169 per square mile.

In 2002-03, the District forecasted operating deficits for FY 2005-06. To mitigate the shortfall, LLSD made cost reductions and increased fees in FY 2002-03 and FY 2003-04 that totaled \$7 million. Reductions were made in supplemental and extended contracts, substitute costs, staffing (by not filling vacant positions), building and departmental operating budgets, overtime, and health care costs. LLSD also eliminated high school busing and delayed new textbook purchases.

As a result of the proactive measures taken by LLSD administrators, the Treasurer has forecasted an ending fund surplus in excess of \$1 million at the end of FY 2009-10 despite projecting operating deficits in every year of the forecast with the exception of FY 2006-07. The forecast also includes the impact of a new 5.6 mill operating levy which was passed in November 2005. Collections on this levy will begin in 2006 and are expected to generate \$48 million over a four-year period. Based on the FY 2005-06 ODE report card, LLSD has successfully lowered costs without sacrificing academic performance – the District was rated as “excellent” meeting 25 of 25 indicators. However, the District did not meet adequate yearly progress requirements.

LLSD has initiated a five-point plan to strengthen fiscal management and reduce costs. The first three points included restructuring the certificated salary schedule, resulting in a \$2 million savings over two years; refinancing bonded debt to take advantage of lower interest rates; and expanding the role of the Finance Committee to provide greater oversight and evaluate efficiency. These tasks have been accomplished. Point four entails a District cost efficiency study to review expenditures compared to State benchmarks and standards. The District has opted to use this performance audit to fulfill this point of the plan. Last, point five entails an educational program evaluation study to determine if current programs are cost effective and meet the needs of the students. According to the Treasurer, this study is in progress at the time of reporting.

A stable administrative staff and a proactive attitude toward finances has helped LLSD maintain a balanced budget and avoid fiscal oversight. Similarly, the District works diligently to include the community in decision-making processes and, as a result, has relatively strong community support for its programs and initiatives. Several LLSD practices were identified as meeting best practice standards.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of the performance audit is to review any programs or areas of

operation in which AOS believes that greater operational efficiency, effectiveness and accountability for services can be achieved. Major assessments were conducted for this performance audit in the following areas:

- **Financial Systems:** includes an evaluation of LLSD's October 2005 five-year financial forecast, including the reasonableness of the underlying assumptions and supporting documentation, along with other financial policies and procedures;
- **Human Resources:** includes an analysis of District-wide staffing levels, collective bargaining agreements, and benefit costs;
- **Facilities:** includes assessments of building capacities and utilization rates, as well as custodial and maintenance operations;
- **Transportation:** includes evaluations of key transportation operational information and transportation contract provisions; and
- **Technology:** includes an analysis of the use of technology in the District, technical support staffing levels, technology planning and budgeting practices, technology-related policies and procedures, security, and hardware and software components.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that LLSD can consider in its continuing efforts to remain a high-performing and low-cost District.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between January and June 2006 and data was drawn from FY 2004-05. To complete this report, the auditors gathered and assessed data from various sources pertaining to key operations. Auditors also conducted interviews with District personnel and reviewed and assessed information from LLSD and other school districts.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various

recommendations for inclusion in this report, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

For the Governor's Blue Ribbon Task Force performance audits, AOS developed a composite of 10 selected districts which was used for peer comparisons. The selected districts were Avon Local School District (Lorain County), Aurora City School District (Portage County); Beavercreek City School District and Sugarcreek Local School District (Greene County); Forest Hills Local School District and Loveland City School District (Hamilton County); Granville Exempted Village School District (Licking County); Kings Local School District, Mason City School District, and Springboro Community City School District (Warren County). These districts are urban or suburban with high median income and low poverty rates, low per pupil costs, and an academic designation of excellent. LLSA originally was included in the selected districts as a high performing, low spending district. However, since the District was the focus of this report, its data was not included in the pool of selected districts. The data obtained from the comparison districts was not tested for reliability, although it was reviewed in detail for reasonableness. Also, external organizations and sources were used to provide comparative information and benchmarks, they included, but were not limited to, the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related best practices.

The Dublin City School District (Dublin CSD), Hilliard City School District (Hilliard CSD), Olentangy City School District (Olentangy CSD), and Westerville City School District (Westerville CSD) were also selected to provide peer comparisons for the human resources section of this audit, as this section required more specific negotiated agreement and benefit comparison. The Auditor of State and staff express their appreciation to the Lakota Local School District as well as the Dublin, Hilliard, Olentangy, and Westerville City School Districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

Financial Systems

- **Budget Preparation:** LLSD assesses community needs, priorities, challenges, and opportunities when creating its budget. In addition, school building officials are included in the budget process. LLSD allows school principals to carry-over unspent funds from year to year.
- **Low Cost per Pupil:** LLSD was able to achieve performance index scores comparable to the peer districts while incurring significantly lower per pupil costs for both instructional and support functions.

Human Resources

- **Regular Teaching Staff:** LLSD's FY 2005-06 regular teaching staff was 8.3 FTEs per 1,000 students below the peer district average. The large maximum class size provision in LLSD's certificated negotiated agreement has allowed it to operate with a lower number of regular teachers.
- **Health Care Cost Containment Practices:** LLSD is a member of the Butler County Health Plan (BCHP), a county insurance consortium, that met or exceeded all GFOA recommended cost containment practices. As a result, the District's premium cost for its highest level of insurance benefits was 9 percent less for a family plan and 4 percent less for a single plan than the average annual costs reported by the 2005 Kaiser Family Foundation's Annual Insurance Survey.
- **Reduction in Sick Leave Usage:** In FY 2005-06, LLSD decreased substitute expenditures by 68 percent by adding sick leave policy language to the classified contract providing detailed steps to follow if an employee has exhibited high sick leave usage and may be abusing sick leave. LLSD has developed additional policies on certificated substitute usage to assist in monitoring absenteeism and the use of substitutes at school buildings. Also, Union Elementary School monitors staff attendance on a monthly basis through meetings with school staff and administrators and seeks to achieve an attendance rate of 97.5 percent for all building employees.

- **Collective Bargaining Process:** LLSD uses an interest-based collective bargaining process¹ to negotiate contracts. Based on interviews with members of both the union and management bargaining teams, the process works well for the District.

Facilities

- **Custodial Staff Handbook:** LLSD has a comprehensive custodial staff handbook which meets and exceeds best practice criteria.
- **New Employee Training:** LLSD offers a comprehensive new employee training program which meets NCES best practice criteria. In addition, the District's new custodial employees are hired from the pool of substitute custodians.
- **Planning Committee:** LLSD has a Planning Committee which consists of 40 parents, staff, and principals who research enrollment growth and overcrowding at school buildings. The primary goal of the committee is to develop short-term remedies for overcrowding during FY 2006-07. The committee will also make recommendations for new attendance zones when the two new elementary buildings open in FY 2007-08.
- **Special Crisis Intervention Teams (SCIT):** LLSD has Special Crisis Intervention Teams (SCIT) in place at each building to develop and review safety procedures. These teams are composed of individuals who have been chosen for their particular field of expertise or training and help LLSD proactively plan for health and safety issues.

Transportation

- **Communications:** LLSD has a website designed to communicate transportation-related information to students, parents, employees, and the community. The website provides specific student information such as bus stop locations, pick up times, safety, and disciplinary information.
- **Safety:** LLSD installed cameras on its buses to provide safe and secure transportation to its students. With cameras installed on 70 buses, an additional 50 buses with the capability of using 7 mobile camcorders, and the addition of permanent cameras to new buses by the District's transportation contractor, Petermann, LLSD is able to monitor student behavior and provide a safer transportation environment.

¹ Interest-based bargaining uses consensus to develop priorities and resolve issues.

Technology

- **Student Technical Assistance:** The Technology Department has implemented a program to use student support to supplement the technical response program. Using alternative means of providing technical support enhances users' technology-related experiences while maintaining a lower cost support program for the District. It also allows the District to capitalize on the heightened technology-related skills of today's students.
- **Service Level Agreement (SLA):** The IT Director has developed a SLA that specifically identifies the duties and responsibilities of the Technology Department, as well as the software and operating systems that are supported by the Department, the hours of operation to access technical staff, the procedures for reporting problems, and the security updates that will impact all networked users.
- **Student Information Access Portals:** LLSD purchased a web-based service called the Teacher Access Portal that provides remote access to grade books, attendance logs, and planning materials.
- **Online Credit Card Payment System:** LLSD is one of the first school districts in the State to offer parents a payment by credit card option for school fees. This system streamlines fee collection by providing parents with a shopping portal for making payments to LLSD.
- **Technology Steering Committee (TSC):** The IT Director works with an advisory body called the Technology Steering Committee (TSC) based on the recommendation of the PWC Assessment Report. The TSC sets the overall technology direction for the District, reviews weekly and bi-weekly reports, and serves as arbitrator for disputes between the Department and the user community. The TSC also ensures financial considerations are included in project decisions.

Key Recommendations

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

In the area of financial systems, LLSD should:

- Develop policies and procedures for the creation and review of its five-year forecast. These policies and procedures should address key factors, including parties responsible, methods used for gathering the information, the extent to which historical results or trend analysis are used, assumption development and evaluation, supporting documentation for the assumptions, and the presentation of the forecast.
- Allow the internal auditor to be independent and to share completed reports with the Finance Committee. The position should be integral to the design and monitoring of the District's internal control procedures and should not be directly involved in financial matters, such as payroll processing.
- Include the Finance Committee in planning engagements for the internal auditor. LLSD should also conduct an annual risk assessment to ensure that the internal audits are in accordance with Board policies, areas warranting a review are being identified and reviewed, and that the audit program is current and addresses identified risks.
- Develop formal policies for several major financial management areas to meet best practices, such as debt management, revenue diversification, competitive bidding and ethics. The creation of new policies and procedures helps to ensure that financial management personnel are clearly aware of District operations and Board expectations.
- Develop and publish a clearly written, multi-year strategic plan with annual goals and measurable objectives based on identified needs, projected enrollment and revenues. The plan should be closely linked to the five-year financial forecast and continuous improvement plan, resulting in a broader, more comprehensive plan which provides vision and direction for the District's efforts. The plans should link educational and operational goals, as well as capital needs.
- Implement a financial performance measurement system which allows it to assess progress in meeting established goals and objectives. This system should include performance standards developed by administrators that are incorporated into both the District's strategic plan and continuous improvement plan.

- Formally evaluate the financial performance and costs of its major educational and operational programs and use the results to improve the performance and cost-efficiency of its strategic and continuous improvement plans.

In the area of human resources, LLSD should:

- Examine the cost benefit of its high staffing level in instructional paraprofessionals which are used to support the special education program. The District could reduce its paraprofessional staff while maintaining a staffing level above the peer district average. If the District reduced 13 FTEs to reach a level commensurate with the peer average it could save approximately \$973,000 annually.
- Consider working with its bargaining units to slow the rate of salary increases for the classified staff. In order to be comparable to the peer district average, LLSD should seek to reduce COLA increases for its classified staff by 2 percent. By reducing COLA increases, the District could reduce its payroll expenditures by approximately \$232,000 a year, while maintaining regular step increases in the salary schedules.
- Consider eliminating the practice of picking up a percentage of employee contributions for the administrative staff and limit this benefit to only its top administrators.
- Work with its collective bargaining units to negotiate an increase in the employee contribution for health insurance from 10 percent to the Kaiser benchmark average of 15 percent. Additionally, during the next contract negotiation, the District should consider discontinuing the contract provision that provides a 100 percent Board contribution rate for family coverage for married couples who are both employees of the District.
- Continue to strive to reduce sick leave used by implementing District-wide practices to set targets for staff attendance, and regularly track and monitor sick leave usage by employees. LLSD could enhance practices for sick leave by expanding to all school buildings, those practices already in use at Union Elementary School. If the District successfully reduced sick leave usage, it would also reduce additional administrative time, enhance the quality of communication by eliminating interruptions in the delivery of curriculum, and reduce overall substitute costs.

In the area of facilities, LLSD should:

- Allocate all head custodians as 0.5 custodial FTE and 0.5 maintenance FTE to reflect current practices. In addition, LLSD should establish benchmarks using industry standards and reallocate the current custodial staffing rather than hire additional custodians when the new elementary buildings and the high school building additions are completed. These staffing changes would achieve a custodial workload comparable to

industry standards while allowing a continuous level of quality service without incurring additional custodial costs for a savings of approximately \$265,000 a year.

- Develop an on-going, long-term comprehensive facilities master plan which compiles key elements such as enrollment projections and capacity analyses, building construction and improvements, and national best practice criteria. This document should be a roadmap for facilities activities and should allow the District to effectively monitor any changes in population or community growth patterns and plan its facilities needs accordingly. The facilities master plan should cover a 10-year period and should coincide with the projects listed on the District's Continuous Improvement Plan.
- Establish a District-wide energy conservation education program which reinforces conservation goals and practices, such as the program in place at Union Elementary School. The education program for both students and staff should convey not only the steps to energy conservation, but also the rationale behind energy conservation. Additionally, to promote conservation activities, LLSD should consider implementing a cost savings rewards program in which the individual schools are rewarded based on a percentage of energy savings.

In the area of transportation, LLSD should:

- Establish benchmark thresholds for operating and productivity ratios such as: cost per mile, per student, and per bus; riders per bus, per route, per mile; number of trips/routes per employee; vehicle miles per maintenance employee; annual maintenance expense per mile and annual bus miles per gallon of fuel. LLSD should periodically assess operating ratios against established performance benchmarks to ensure quality and cost efficiency while remaining consistent with goals.
- Formally assign the responsibility for coordinating and monitoring the transportation Contract to a specific District employee, or if necessary, staff the position with an individual from outside of the District. A formal contract monitor should ensure compliance with Contract terms and performance expectations.
- Require its transportation contractor, Petermann, to provide monthly performance and compliance reports to District administrators. The reports should be used to ensure operational efficiency, compliance with the terms of the Contract, and optimal levels of service.
- LLSD should closely monitor its Contractor's routing and ridership data and require the Contractor to increase the utilization rate to the national benchmark of 66 percent. The District should frequently assess the Contractor's route times and ridership data by bus to ensure that it is receiving optimal performance under the contract. The District should

monitor ridership censuses throughout the year, and continuously examine the Contractor's efforts to achieve a ridership rate comparable to 144 students per bus. This utilization rate would allow LLSD to direct the Contractor to consolidate routes without materially impacting the quality of the services.

- Ensure that Petermann submits a monthly report detailing driver hours as required under the contract. LLSD should use this report to ensure that staffing hours used to establish the payment structure outlined in the Contract are consistent with actual average hours worked by bus drivers.
- Continue to negotiate with Petermann to further reduce the bus replacement schedule pursuant to Section 3 of the Contract. LLSD should establish criteria for the bus replacement plan based on age, mileage, condition, operating and maintenance costs consistent with best practices. By reviewing and updating the plan annually, the District could substantially reduce the cost of the Contract and better plan for future costs.

In the area of technology, LLSD should:

- Revise and update its technology plan by establishing a schedule of annual assessments, seeking broad community stakeholder input, and addressing individual building technology needs. Planning and funding decisions should be the result of collaboration with the community, the Board, administrators, and technical and building personnel. Direct funding should be committed to each technology goal, and these goals should be aligned with the District's strategic plan, continuous improvement plan, and budgeting processes and procedures.
- Adopt a systematic five-year replacement cycle to upgrade technology equipment, reduce support costs, and ensure adequate operational performance. Planning and adequately funding technology replacements will increase operational performance and enhance the learning environment.
- Employ available tools to capture the total cost of ownership (TCO) of District technology. Additional costs stemming from professional development, maintenance, operations, administration, replacements, upgrades and retrofitting should be included in the technology plan. This will enable administrators and stakeholders to understand the total financial implications associated with technology purchases or projects.

Issues for Further Study

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

- **Outsourcing Summer Custodial Services:** In FY 2003-04, LLSD obtained an estimate for contracting out some summer custodial services at select buildings. However, this estimate was not a complete itemization of the cost for the intense cleaning normally performed during the summer.

The National State Auditors Association (NSAA) published a best practices document entitled *Contracting for Services* (2003). This publication covers all major issues surrounding contracting for services. Each of the sections includes step-by-step best practice procedures for evaluation and implementation of an effective service contract.

Given LLSD's lower expenditures per square foot when compared to the peer average for salaries and wages, LLSD may want to consider the option of outsourcing summer custodial services. Any decision to contract summer custodial services should include a comprehensive cost-benefit analysis, and follow the NSAA best practice guidelines.

- **Maintenance Department Time and Attendance:** LLSD's maintenance employees travel from building to building as needed, but otherwise are assigned to a specific building. Their time and attendance is tracked through a manual system, and then reconciled and re-entered into the payroll system. As a result, the Maintenance and Operations Department relies heavily on the individual employee to maintain accurate records.

There are a variety of methods which LLSD could use to strengthen its internal controls over this area. For example, hand-held telephone GPS units, similar to those used by technology, would record time and mileage for a cost of approximately \$8,000. Maintenance employees could swipe the entry card when arriving and leaving a building allowing attendance to be tracked. A third option would be an automated time system to ensure employee accountability. Although no problems were noted, LLSD may decide to proactively address this issue in a manner which is both efficient and cost-effective.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that LLSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Table 1-1: Summary of Performance Audit Recommendations

	Estimated First Year Savings (Costs)	Estimated One-Time Cost
Recommendations Not Subject To Negotiations		
R3.2 Reduce 13 ESP staff positions	\$973,000	
R3.3 Reduce 12 Special Education Teachers	\$829,000	
R3.7 Reduce sick leave use by enhancing District-wide policies	\$147,000	
R3.13 Purchase and implement additional HRIS module		(\$30,000)
R4.1 Avoid hiring additional custodians	\$265,000	
R4.6 Implement energy conservation education programs	\$72,000	
R4.7 Reduce utility expenditures	\$349,000	
R5.4 Increase bus utilization rate to industry benchmark of 144 students per bus	\$3,200,000	
R5.5 Negotiate future contracts to reflect accurate drivers' hours	\$283,000	
R5.7 Revise the bus replacement schedule contained in Section 3(c) of the Contract	\$7,000	
R5.12 Reduce special needs per rider costs to peer district average costs	\$330,000	
R5.13 Increase payment in lieu of transportation agreements to peer district average	\$26,000	
R6.2 Adopt a five-year replacement cycle	(\$434,000)	
R6.5 Develop a staffing policy for technical support and increase the number of technicians	(\$233,000)	
Subtotal Not Subject to Negotiations	\$5,814,000	(\$30,000)
Recommendations Subject to Negotiations		
R3.4 Reduce Classified Staff COLA by 2 percent	\$232,000	
R3.6 Negotiate increased health insurance contribution to 15 percent for all employees	\$151,000	
Subtotal Subject to Negotiations	\$383,000	
Total Cost Savings from Performance Audit Recommendations	\$6,197,000	(\$30,000)

Source: Financial implications identified throughout this performance audit

¹ Estimated savings rounded to nearest hundred dollars.

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.

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Financial Systems

Background

This section focuses on the financial systems within the Lakota Local School District (LLSD or the District). The objective is to analyze the current and future financial condition of LLSD, develop recommendations for improvements in its financial processes, and identify opportunities to increase efficiency and effectiveness. LLSD's five-year forecast is analyzed to ensure that the projections accurately represent future financial conditions. The District's operations have been evaluated against best practices, and operational standards from several sources, including the Government Finance Officers Association's (GFOA) *Best Practices in Public Budgeting*, Florida's Office of Program Policy Analysis and Government Accountability's (OPPAGA) *Performance Accountability Systems*, the Texas State Auditor's *Guidelines for Performance Measure Management*, the Texas Education Agency's (TEA) *Best Practices*, and Denver City Schools' *The Denver Plan*. In addition, Type 7 urban and suburban districts¹ with similar demographics (high median income and low poverty rates), high Ohio Proficiency test scores and low per-pupil expenditures were used as peer districts.² These districts are referred to as the "peer districts."³

Staffing

LLSD's Financial Services Department (Department or Treasurer's Office) consists of 11 employees, including the Treasurer, Assistant Treasurer, Secretary to the Treasurer, three payroll clerks, two accounts payable clerks, one accounts receivable clerk, a benefits manager, and an accountant who also supervises payroll and conducts the internal audits. According to the job description, the Treasurer is the chief financial officer of LLSD, and is responsible for all financial resources, developing the annual tax budget, preparing financial reports and maintaining the District's five year forecast.

The Department's significant responsibilities include managing and accounting for all financial resources, reporting the District's financial condition to the Board of Education and the public,

¹ As categorized by the Ohio Department of Education.

² The 10 districts used for peer comparisons include Avon Local School District (Lorain County), Aurora City School District (Portage County); Beavercreek City School District and Sugarcreek Local School District (Greene County); Forest Hills Local School District and Loveland City School District (Hamilton County); Kings Local School District, Mason City School District, and Springboro Community City School District (Warren County); and Granville Exempted Village School District (Licking County).

³ LLSD originally was included in the peer districts as a high performing, low spending district. As LLSD is the client district in this report, its data was not included in the pool of peer districts.

developing the annual budget and appropriations, preparing and distributing payroll, paying the District's obligations, preparing financial statements and developing the five-year forecast. Since 1998, LLSD has received financial reporting excellence awards from GFOA and the Association of School Business Officials.

Financial Forecast

The financial forecast presented in **Table 2-1** represents the Treasurer's projections of LLSD's present and future financial condition as submitted to the Ohio Department of Education (ODE) on December 29, 2005. The forecast and accompanying assumptions are the representations of LLSD and are presented without verification. The projections reflect the General Fund and are accompanied by three years of comparative historical results, general assumptions, and explanatory comments. Assumptions that have a significant impact on LLSD's financial status, such as property tax revenue, salaries and wages, and capital outlays, have been reviewed for reasonableness.

Table 2-1: LLS D Five-Year Financial Forecast (in 000's)

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
Real Estate Property Tax	\$51,348	\$52,500	\$53,593	\$61,685	\$70,430	\$72,480	\$75,005	\$77,923
Tangible Personal Property Tax	\$8,963	\$11,302	\$12,616	\$12,913	\$11,433	\$9,191	\$7,124	\$3,234
Unrestricted Grants in Aid	\$40,544	\$43,184	\$44,860	\$45,381	\$46,036	\$46,258	\$46,485	\$47,552
Restricted Grants in Aid	\$928	\$841	\$923	\$909	\$3,421	\$5,442	\$7,305	\$9,555
Property Tax Allocation	\$8,345	\$6,651	\$7,396	\$7,508	\$7,591	\$7,719	\$7,890	\$8,149
Other Revenues	\$2,652	\$2,933	\$2,475	\$2,810	\$2,803	\$2,837	\$2,871	\$2,906
Total Operating Revenues	\$112,779	\$117,412	\$121,864	\$131,205	\$141,715	\$143,927	\$146,681	\$149,320
Other Financing Sources	\$288	\$824	\$191	\$1,256	\$20	\$20	\$20	\$20
Total Revenues	\$113,067	\$118,236	\$122,055	\$132,461	\$141,735	\$143,947	\$146,701	\$149,340
Personal Services	\$72,367	\$79,470	\$73,283	\$75,282	\$79,172	\$86,349	\$93,588	\$99,311
Fringe Benefits	\$21,164	\$24,044	\$22,473	\$23,045	\$25,343	\$27,786	\$30,489	\$33,156
Purchased Services	\$6,871	\$7,783	\$17,230	\$20,827	\$20,250	\$21,236	\$22,144	\$22,873
Supplies & Materials	\$3,270	\$3,947	\$2,593	\$6,779	\$4,413	\$4,501	\$4,591	\$4,683
Capital Outlay	\$1,103	\$2,134	\$1,473	\$4,890	\$2,083	\$2,125	\$2,168	\$2,211
Debt Service	\$944	\$929	\$930	\$459	\$464	\$461	\$464	\$0
Other Expenditures	\$1,860	\$1,994	\$1,760	\$2,079	\$2,126	\$2,168	\$2,250	\$2,336
Total Operating Expenditures	\$107,579	\$120,300	\$119,741	\$133,360	\$133,852	\$144,626	\$155,695	\$164,569
Other Financing Uses	\$741	\$1,085	\$3,071	\$1,843	\$1,950	\$2,037	\$2,128	\$2,224
Total Expenditures	\$108,321	\$121,385	\$122,813	\$135,203	\$135,802	\$146,663	\$157,823	\$166,793
Result of Operations	\$4,747	(\$3,149)	(\$758)	(\$2,742)	\$5,933	(\$2,716)	(\$11,122)	(\$17,453)
Beginning Cash Balance	\$28,310	\$33,057	\$29,907	\$29,150	\$26,408	\$32,341	\$29,625	\$18,503
Ending Cash Balance	\$33,057	\$29,907	\$29,150	\$26,408	\$32,341	\$29,625	\$18,503	\$1,050
Outstanding Encumbrances	\$2,357	\$2,105	\$3,617	\$0	\$0	\$0	\$0	\$0
Total Reservations	\$1,720	\$1,992	\$2,899	\$0	\$0	\$0	\$0	\$0
Ending Funding Balance	\$28,979	\$25,810	\$22,633	\$26,408	\$32,341	\$29,625	\$18,503	\$1,050
Unreserved Fund Balance	\$28,979	\$25,810	\$22,633	\$26,408	\$32,341	\$29,625	\$18,503	\$1,050

Source: LLS D Treasurer

Note: Due to rounding, totals shown may vary from the totals reflected in the five-year forecast submitted to ODE.

LLSD's financial forecast, displayed in **Table 2-1**, presents projected revenues, expenditures, and ending fund balances for the General Fund for each of the fiscal years from June 30, 2006 through June 30, 2010, with historical (un-audited) information presented for the fiscal years ending June 30, 2003, 2004, and 2005. LLSD's Treasurer has forecasted an ending fund surplus in excess of \$1 million at the end of FY 2009-10 despite projecting operating deficits in every year of the forecast with the exception of FY 2006-07. The forecast also includes the impact of a 5.6 mill operating levy which was passed in November 2005. Collections on this levy will begin in 2006 and are expected to generate \$48 million over a four-year period, or \$12 million a year.

The assumptions disclosed herein were developed by the Treasurer and were used to generate the forecast presented in **Table 2-1**. Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections were prepared, there will usually be differences between projected and actual results. It should be noted that LLSD's Treasurer was able to provide concrete and detailed statements about the assumptions used to develop the five-year forecast. The District noted the following factors as having a significant impact on the financial forecast:

- Planning for continued rapid enrollment growth ranging from 370 to 500 students each year through the forecast period;
- Pressures from inflation on heating fuel costs, as well as maintaining and attracting quality staff to accommodate the increase in enrollment;
- Maintaining a challenging and up-to-date curriculum in order to continue its Ohio Report Card designation of Excellent; and
- Reduction in State funding on a per student basis and the personal property tax phase-out.

Major assumptions used to develop the five-year forecast are as follows:

Revenues

Real Estate Property Tax

Real estate property tax revenue estimates are based on historical valuation growth patterns and include the effect of scheduled updates in 2005 and reappraisals in 2008. Voted tax rates are proportionately reduced based on a reappraisal/update as tax values increase. This produces the same amount of revenue as the prior year. Only the inside millage (6.49 mills) will remain constant after reappraisal or update years. The tax rates include the recent passage of a 5.6 mill operating levy to be collected in 2006.

LLSD has made assumptions of new construction growth and reappraisal/inflation for future years. These estimates were based on historical trends, along with the expected increase in building permits. According to the Butler County Auditor, LLSD's property value will remain

close to the original construction value, resulting in a fairly flat trend. New construction will not increase in value substantially for nearly 10 years and, as LLSD is almost entirely new construction, the only increase in revenue will come from the inside millage and new construction. Based on the Treasurer's supporting information and data from the Butler County Auditor, the property tax projections appear to be reasonable.

The electric deregulation passed by the Ohio legislature in Amended Substitute House Bill (H B) 5 and Senate Bill (SB) 3 has effectively reduced the value of public utility personal property (excluding that in the distribution and transmission of electricity) from 88 percent to 25 percent. Effective May 1, 2001, a kilowatt-hour (kWh) tax began to be collected to offset the loss of property tax revenue due. Of these new dollars, 37.8 percent are placed in a Property Tax Replacement Fund (PTRF) and are paid to Ohio school districts to replace lost revenue, as determined by the Ohio Department of Taxation. The assumptions included in this financial forecast include the effects of electric deregulation in the public utility personal property tax estimates.

A \$9 million increase is projected for both FY 2005-06 and FY 2006-07. For FY 2005-06, the increase is the result of residual collections from the Butler County Auditor's 2005 update of property valuations. The increase in FY 2006-07 is attributable to the first year of collections for the operating levy passed in November 2005.

Historically, property tax revenue has grown an average of 8 percent, and is forecast to grow an average of 7 percent. Given that the Treasurer's projections are comparable to historical trends, and that the Butler County Auditor confirmed the Treasurer's property valuation assumptions, this assumption is considered reasonable.

Tangible Personal Property Taxes

HB 66, adopted in June 2005, includes the elimination of the assessed valuation of all tangible personal property tax over the next four years. The State has provided only partial reimbursement for this tax loss to all governmental agencies (including schools) through the creation of a new State tax on businesses called a Commercial Activities Tax (CAT). **Table 2-2** reflects the District's tax losses as a result of HB 66.

Table 2-2: Effects of HB 66 on LLSD Revenue

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
Loss due to elimination of Personal Property Tax	\$0	\$2,906,335	\$4,941,485	\$6,817,302	\$9,215,772
Reimbursement from CAT	\$0	\$2,535,203	\$4,570,353	\$6,446,169	\$8,844,639
Cumulative Net Loss to LLSD	\$0	(\$371,132)	(\$742,264)	(\$1,113,396)	(\$1,484,528)

Source: LLSD Forecast Assumptions

Tangible personal property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machines, equipment, supplies and inventory used in conducting the business. Tangible personal property tax revenue cannot be estimated with a high degree of accuracy because it is highly dependent on legislation and the stability of businesses. The assumption that tangible personal property tax will drop 21 percent is in keeping with the accelerated phase out resulting from HB 66. This assumption appears reasonable based on the Treasurer's conservative approach of forecasting the phase-out of personal tangible property taxes which have shown historical volatility.

State Funding (Unrestricted and Restricted Grants in Aid)

In past years, LLSLD has been referred to as a "formula district" meaning that it receives additional basic aid funding through the State Foundation Program for each new student. In FY 2004-05, new State funding for each additional student was approximately \$2,400. The State basic aid formula includes a cost of doing business (CODB) factor which increases the per pupil reimbursement amount for various counties throughout the State in which average expenditures are higher than the base county. HB 66 eliminates the "cost of doing business factor" by 2008. This has created a dramatic reduction in the LLSLD's State funding based on the current funding formula. While the District anticipates enrollment to increase by 1,800 to 2,000 students by 2010, assumptions for FY 2007-08 and FY 2008-09 use the formula as it exists in current law -- assuming no additional State revenues. Payments of tuition for students Lakota serves from other districts and other State funding (e.g., personal property reimbursement and utility reimbursement) are also included in the line-item.

Other State revenue included in this line-item is based on historical trends. These include State reimbursements for bus purchases to transport parochial school or special needs students. Beginning in FY 2006-07, the partial State reimbursement for the loss of personal property tax is included. State funding or intergovernmental revenue has comprised approximately 35 percent of the District's General Fund revenue historically and the projection, which is slightly lower due to increasing property tax revenue, remains comparable. Additionally, LLSLD's Treasurer has forecast growth to be 1.2 percent, which, although less than historical growth of 5 percent, is in keeping with the elimination of the CODB. Based on LLSLD's steady enrollment increases over the previous 10 years, the accuracy of their enrollment projections, the accuracy of the past projections, and uncertainty over future State funding levels, this assumption appears reasonable.

Property Tax Allocation

Personal property tax allocation funds are reimbursements from the State of Ohio for tax credits provided to owner occupied residences, equaling 12.5 percent of the gross property taxes charged to residential taxpayers. Prior to FY 2004-05, this credit was 10 percent for commercial and industrial taxpayers. HB 66 eliminated the 10 percent commercial property tax rollback

effective in tax year 2005. The remaining amounts will grow along with new levies and new construction.

In addition to the elimination of personal property taxes (discussed in the Personal Property Taxes section), the State is also phasing-out, over 10 years, the \$10,000 personal property exemption reimbursements which has been paid to districts since 1986. LLSLD received \$562,142 in FY 2002-03. This was the baseline amount for the 10-year phase out that began in FY 2003-04. The amount being phased out each year is \$56,214. This line item has a direct correlation to general property taxes and appears to be reasonable as projections are comparable to historical trends.

All Other Revenue

Other revenues include investment income, compensation agreements for abatements and tax incentive districts, facility rentals, fees, tuition, donations, and other miscellaneous revenue. The projected annual average change is consistent with the historical trend and appears reasonable.

Other Financing Sources

This category includes operating transfers and advances in. No growth is expected in transfers, and advances to other funds to cover short-term deficit fund balances. The increase of over \$1 million in FY 2005-06 was due to the repayment of funds advanced to grants funds in the previous fiscal year.

Expenditures

Personal Services

Salaries and wages reflect an average 2.9 percent pay increase for all bargaining unit and non-bargaining unit employees which was approved by the Lakota Local School District Board of Education (the Board) for FY 2005-06 and FY 2006-07. Salaries and wages also include estimates for cost of living adjustments (COLA) through FY 2009-10. In addition to wage increases, a majority of employees receive step increases (based on years of experience). Costs for step increases are expected to average 2.1 percent of salaries per year. In addition to annual raises and step increases, certificated staff can increase their salaries by advancing their education. LLSLD expects increases in costs of over \$300,000 to be offset by retiring staff that are replaced with less experienced employees. LLSLD estimates future staffing needs based on student enrollment projections and the opening of new schools: two new elementary schools in FY 2007-08 and a new freshman school in FY 2008-09. The estimates also include assumptions of approximately 25 additional staff members annually to address the growth in student population.

Historically, salaries and wages increased an average of 3.4 percent annually. An analysis of the historical actual to forecast variance found the Treasurer has forecast salaries and wages an average of 4.7 percent higher than actual. According to the Treasurer, this is the result of the methodology used to project the employee count. When Human Resources provides the Treasurer with an employee count for the forecast, the count includes both individuals on extended leave and their substitutes, resulting in an inflated count (see **R2.1** and **R2.2** for an additional assessment and recommendation regarding changes to the forecasting methodology).

Fringe Benefits

Fringe benefits include the following:

- Pension payments to the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). The payments equal 14 percent of wages.
- SERS surcharge payments for part-time employees who earn less than \$27,400. This surcharge will increase during the next year (changed by SERS) due to the minimum compensation amount increasing from \$27,400 in FY 2004-05 to \$35,800 in FY 2005-06.
- Medical insurance costs, which are expected to increase 10 percent per year and an additional 2.5 percent for new staff in FY 2006-07 through FY 2009-10. LLSD's is a member of a health consortium, the Butler County Health Plan (BCHP), which works to negotiate lower insurance prices for member districts.
- Dental insurance costs, which are anticipated to increase approximately 6 percent per year, including the costs for new staff.
- Medicare contributions, which continue to be 1.45 percent of wages for all employees hired after April 1, 1986.
- Workers' compensation insurance. LLSD is self funded, which has produced significant cost savings. Projected increases in this category stem from an anticipated increase in the number of employees and an estimate from LLSD's workers' compensation consultant.

The Treasurer applied the appropriate contribution rates for retirement, workers' compensation, and Medicare based on the District's salary and wage projections. The projected growth rate is 1.34 percent over the four year historical averages; therefore, the 6.29 percent projected increase appears reasonable considering the increase in staffing. However, given the link between benefits and salaries, benefits may be inflated, see **R2.1** for an additional assessment of the District's methodology.

Reservations are reflected in the purchased services, supplies, materials and textbooks, and capital outlay line-items. The reservation of fund balance normally includes unspent year-end funds remaining for instructional and capital set-aside amounts⁴. Since LLSD's Treasurer uses special cost centers to track expenditures, the required set-asides are forecasted in their respective line items. For example, the supplies and material line item includes projections for educational software, library books, and textbooks. Likewise, the Purchased Services line item includes set-asides related to gifting testing services, cognitive testing services, as well as internet connections and copier leases.

Purchased Services

Purchased services are services contracted from outside sources. Increases for the forecast period in this category include:

- Transportation services, through Petermann Transportation, are projected to increase at 4 percent annually for inflationary growth and additional routes to accommodate increased enrollment. This line item has increased significantly as a result of outsourcing to Petermann in FY 2003-04.
- Data processing management is projected to increase 3 percent annually to accommodate service for additional computers and software maintenance costs.
- Tuition paid to community schools, post-education costs, and tuition paid for students who are court placed in other districts are projected to increase 4 percent annually. The 4 percent growth is attributable to the growth in community schools.
- Other costs are projected to increase 2 percent annually based on historical trends, except for utilities. In FY 2007-08, LLSD will incur increased utility costs for two new elementary schools, and in FY 2008-09, increased costs are included for the opening of the new freshman school building. For example, electricity is expected to increase by 17.2 percent with the new buildings, water/sewer expenses are expected to increase 5.0 percent, and natural gas is expected to increase 5.0 percent beginning in FY 2007-08.

This line item has a projected annual change of 6.1 percent, which will accommodate the growth expected in the components of the line item (e.g., transportation, tuition to community schools), plus the expected increase in expenditures stemming from the new schools. Based on the information provided by the Treasurer, this assumption appears reasonable.

⁴ Ohio law requires these funds be carried over and used only for qualifying expenditures.

Supplies, Materials, and Textbooks

Supplies, materials, and textbooks are expected to increase 2 percent per year. Each year a school opens there is an additional building budget and the opening year budget is larger than normal in order to help equip the new building. Also, LLSD has a curriculum plan to revisit various subjects over the next five years and the costs of implementing new curriculum and buying textbooks are included in the forecast. Additionally, the Treasurer allows carry-over of building funds, which could result in overestimated expenditures.

In FY 2005-06, this set aside was \$4.5 million, a significant increase over FY 2004-05 expenditures. Since this line-item is based on an inflationary factor of 2 percent and additional amounts for the opening of new school buildings in FY 2007-08, this assumption is reasonable.

Capital Outlay

Capital outlay consists of any purchased equipment with a cost over \$2,000. Comparable to purchased services, capital outlay is expected increase approximately 2 percent per year based on inflation. Ohio Revised Code (ORC) § 3315.18 establishes accountability standards for school districts to maintain a minimum level of spending in relation to the State funding formula amount for capital purposes. This statute establishes the minimum spending threshold at 3 percent of the preceding year's State funding formula amount. LLSD includes the reserved set aside for instructional equipment, supplies and capital outlay in capital outlay.

This line item includes set aside amounts of approximately \$500,000 for instructional equipment and supplies, a one-time amount of \$4.2 million for capital purchases in FY 2005-06, and \$1.5 million a year for the balance of the forecast. Since this line-item is based on an inflationary factor of 2 percent and additional amounts to accommodate the opening of new school buildings, this assumption appears reasonable. Based on the District's projections, LLSD will meet the statutory capital spending requirements.

Debt Service

General Fund debt was issued in FY 2001-02 for energy conservation projects and bus purchases. Payments for this debt are included in the forecast, but paid from the Debt Service Fund as required by ORC. Since debt payment for buses and projects are set by the terms of the bond covenants, this assumption appears reasonable.

Other Expenditures

Expenses in the other expenditures category relate primarily to services provided by the Hamilton County Educational Services Center (ESC). The majority of these expenses relate to contract services needed for technology and curriculum staff, and various other ESC costs. Also,

county auditor fees for the collection of taxes are also included. The expected increase per year of 4 percent is comparable to the average historical change. Since the majority of these expenses are set by contract, such as additional ESC services, this assumption appears reasonable.

Other Financing Uses

This category includes operating transfers out, advances out, and refunds of prior year's receipts. Operating transfers are funds transferred to the Athletic Fund to pay for coaching supplemental contracts and athletics administration. Advances out are considered a "loan" to another fund to cover a temporary year-end deficit balance. These funds are returned to the General Fund in the subsequent fiscal year. Refunds of prior year's receipts, while rare, are returned payments received by the District which should be returned to the original payer for various reasons. The District's assumption for the FY 2005-06 transfers out appears reasonable, based on the one time transfer in FY 2004-05 of \$1.8 million to the Athletic Fund to establish a cost center.

Reservation of Fund Balances

The reservations have been reflected in the purchased services, supplies, materials and textbooks, and capital outlay line-items. Based on the District's assumptions, it is projected to meet the required reservations during the forecast period.

Financial Operations

The District anticipated operating deficits for FY 2005-06 beginning in FY 2002-03, and made cost reductions and increased fees in FY 2002-03 and FY 2003-04 that totaled \$7 million. Reductions were made in supplemental and extended contracts, substitute costs, staffing (by not filling vacant positions), building and departmental operational budgets, overtime, and health care costs. LLSD also eliminated high school busing and delayed new textbook purchases. In March 2004, the Board of Education put on a combined 11.67 (9.3 mill operating and a 2.37 mill bond) mill levy on the ballot that failed. A 7.7 mill combined levy failed in November 2004, and again in February 2005. Finally, a 5.6 mill operating levy passed in November 2005.

The District also initiated a five-point plan to strengthen fiscal management and reduce costs. The plan included restructuring of the certificated salary schedule, resulting in a \$2 million savings over two years; refinancing bonded debt to take advantage of lower interest rates; and expanding the role of the Finance Committee to provide oversight and evaluate efficiency. The plan also includes conducting a District cost efficiency study to review its expenditures compared to State benchmarks and standards, and an educational program evaluation study to determine if current programs are cost effective and meet the needs of the students. The District has completed the first three points, this performance audit addresses the fourth point, and, according to the Treasurer, the fifth point is in progress.

Tables 2-3 through **2-6** contain financial data from LLSD's operations and the peer districts for FY 2004-05. This information may aid the District in identifying areas for future expenditure reductions. The information in these tables is aggregated and compared in categories based on the Uniform School Accounting System (USAS) guidelines. All Ohio school districts are required to use USAS dimensions (fund, function, object code, and account number structure). The categorization is highly specific, so in some cases, minimal differences in the manner in which a district structures its expenditures may exist. For example, a district that collects a permanent improvement levy may allocate facilities-related expenditures to its Permanent Improvement Fund, thereby reducing the facilities-related expenditures reflected in the General Fund. LLSD uses Pentamation computer software programs for most applications, including its financial and accounting data. Where relevant, discrepancies are disclosed.

Table 2-3 compares FY 2004-05 General Fund operational revenues by source and expenditures by object for LLSD and the peer districts. The data is presented on a per student basis to account for differences in enrollment.

Table 2-3: General Fund Revenues by Source and Expenditures by Object

Number of Students (ADM)	LLSD		Peer District Average		Variance from Peer District Average	
	16,153		4,657		11,496	246.9%
	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% Variance
Property/Income Tax	\$4,041	53.9%	\$4,748	60.6%	(\$707)	(14.9%)
Intergovernmental Revenues	\$3,292	43.9%	\$2,780	35.5%	\$512	18.4%
Other Revenues	\$165	2.2%	\$310	4.0%	(\$145)	(46.7)
Total Revenue Per Pupil		\$7,498		\$7,838	(\$340)	(4.3%)
Wages	\$4,537	60.1%	\$4,722	60.4%	(\$186)	(3.9%)
Fringe Benefits	\$1,391	18.4%	\$1,565	20.0%	(\$173)	(11.1%)
Purchased Services	\$1,067	14.1%	\$617	7.9%	\$450	73.0%
Supplies and Textbooks	\$161	2.1%	\$280	3.6%	(\$119)	(42.7%)
Capital Outlay	\$91	1.2%	\$68	0.9%	\$23	33.9%
Debt Service	\$0	0.0%	\$207	2.6%	(\$207)	NA
Miscellaneous	\$109	1.4%	\$189	2.4%	(\$80)	(42.3%)
Other Financing Uses	\$190	2.5%	\$173	2.2%	\$17	9.8%
Total Expenditures Per Pupil		\$7,545		\$7,820	(\$275)	(3.5 %)

Source: FY 2004-05 Annual Reports (4502's)

Note: Slight variations may occur due to rounding

As shown in **Table 2-3**, LLSD generated \$340 or 4.3 percent less revenue per pupil and spent \$275 or 3.5 percent less per pupil than the peer districts. LLSD generated 53.9 percent of its revenue through local sources, which was 14.9 percent lower than the peer districts. The local revenue includes the passage of an additional 5.6 mill operating levy on November 8, 2005. However, LLSD is more reliant on State funds than the peer districts as State funds comprise 43.9 percent of its revenue. (See **R2.4** on diversification of revenue).

Also, in FY 2004-05, LLSD's total wages and fringe benefits were lower than the peer districts, as a percentage of total expenditures, while purchased services were significantly higher. While the contracting of transportation services caused purchased services and capital outlay expenditures to be higher, it resulted in total wages and fringe benefits being slightly lower than the peer average. Transportation services are analyzed further in the **transportation section** of this report. Other financing uses were high due to the one-time transfer to the Athletic Fund of \$1.8 million.

Table 2-4, shows discretionary expenditures by account, per student and as a percentage of total FY 2004-05 General Fund expenditures for LLSD and the peer districts. This comparison illustrates LLSD's effectiveness in monitoring and controlling expenditures. **Table 2-4** also compares LLSD's total FY 2003-04 discretionary expenditures to total FY 2004-05 discretionary expenditures by category.

Table 2-4: Discretionary Expenditures per Pupil Comparison

	LLSD FY 2003-04		LLSD FY 2004-05		Peer Districts Average FY 2004-05		Variance from Peer Districts Average	
	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% Variance
Professional and Technical Service	\$91	1.19%	\$76	1.01%	\$114	1.46%	(\$38)	(33.23%)
Property Services	\$136	1.78%	\$118	1.57%	\$152	1.94%	(\$33)	(21.91%)
Mileage/Meeting Expense	\$14	0.18%	\$24	0.32%	\$15	0.19%	\$10	65.53%
Communications	\$17	0.23%	\$15	0.19%	\$22	0.29%	(\$8)	(34.28%)
Contract, Craft or Trade Service	\$4	0.05%	\$2	0.03%	\$10	0.13%	(\$8)	(79.68%)
Pupil Transportation	\$4	0.06%	586	7.76%	\$10	0.13%	\$576	5,635.17%
Other Purchased Service	\$0	0.00%	\$0	0.00%	\$7	0.09%	(\$7)	NA
General Supplies	\$109	1.43%	\$67	0.89%	\$109	1.40%	(\$42)	(38.45%)
Textbooks/Reference Materials	\$45	0.59%	\$20	0.26%	\$46	0.59%	(\$26)	(57.18%)
Supplies & Materials for Resale	\$0	0.00%	\$0	0.00%	\$22	0.29%	(\$22)	NA
Food & Related Supplies/Mat	\$0	0.00%	\$0	0.00%	\$0	0.00%	(\$0.30)	NA
Plant Maintenance and Repair	\$0	0.00%	\$30	0.40%	\$39	0.50%	(\$8)	(21.76%)
Fleet Maintenance and Repair	\$51	0.66%	\$43	0.57%	\$63	0.80%	(\$20)	(31.25 %)
Other Supplies & Materials	\$48	0.63%	\$0	0.00%	\$0	0.00%	\$0.00	NA
Land, Building & Improvements	\$67	0.87%	\$23	0.30%	\$2	0.03%	\$20	907.8%
Equipment	\$69	0.90%	\$31	0.41%	\$48	0.62%	(\$18)	(36.49 %)
Buses/Vehicles	\$2	0.02%	\$38	0.50%	\$18	0.22%	\$20	116.62%
Dues and Fees	\$102	1.33%	\$105	1.39%	\$174	2.23%	(\$70)	(40.02 %)
Insurance	\$13	0.17%	\$3	0.04%	\$12	0.16%	(\$9)	(73.66 %)
Awards and Prizes	\$0	0.00%	\$0	0.00%	\$1	0.01%	(\$0.42)	(66.01 %)
Miscellaneous	\$0	0.00%	\$1	0.01%	\$1	0.01%	(\$0.03)	(2.95 %)
Total	\$772	9.99%	\$1,182	15.67%	\$867	11.08%	\$316	36.42%

Source: FY 2004-05 Annual Financial Reports (4502's)

Note: Slight variations may occur due to rounding.

As shown in **Table 2-4**, LLSD's discretionary spending as a percentage of all General Fund expenses (15.67 percent) was above the peer districts (11.08 percent). The largest portion of discretionary spending, pupil transportation, accounted for 7.76 percent of LLSD's total spending, as well as the increase from FY 2003-04 to FY 2004-05. In FY 2003-04, LLSD

contracted with Petermann Transportation which shifted costs from the salaries and benefits line items to the purchased services line item. The District also purchased new buses to comply with the contract. The districts used for comparison do not contract out their transportation services; therefore, LLSD has higher discretionary expenditures. If transportation costs are factored out, LLSD's discretionary spending per pupil is \$596, which is 31 percent lower than the peer districts.

LLSD was above or equal to the peer districts in mileage/meeting expenses; and land, building, and improvements. Mileage/meeting expenses increased significantly from 18 percent to 32 percent of discretionary expenditures. Part of the increase is attributable to the loss of professional development grant funding, which resulted in higher expenditures from the General Fund. Also, the Treasurer indicated that LLSD recoded professional development from miscellaneous expenses in FY 2003-04 to the mileage/meeting expense code in FY 2004-05, resulting in an increase of 80.6 percent in the mileage/meeting expenses in this year. The increased land, building and improvement costs were related to improvements to buildings.

Table 2-5 compares LLSD's FY 2003-04 and FY 2004-05 purchased services and materials and supplies by category.

Table 2-5: District Purchases FY 2003-04 and FY 2004-05

	FY 2003-04	FY 2004-05	% Increase (Decrease)
Purchased Services			
Professional and Technical Services	\$1,415,985	\$1,229,455	(13.2%)
Property Services	\$2,118,162	\$1,912,808	(9.7%)
Mileage/Meeting Expense	\$218,527	\$394,562	80.6%
Communications	\$271,881	\$236,933	(12.9%)
Contract, Craft or Trade Service	\$55,314	\$34,295	(38.0%)
Pupil Transportations	\$66,514	\$9,462,856	14,126.9%
Total Purchased Services	\$4,146,382	\$13,270,909	220.1%
Materials and Supplies			
General Supplies	\$1,704,630	\$1,088,136	(36.2%)
Textbooks/Reference Materials	\$699,426	\$320,481	(54.2%)
Plant Maintenance and Repair	\$0	\$489,851	N/A
Fleet Maintenance and Repair	\$787,624	\$694,553	(11.8%)
Other Supplies & Materials	\$755,268	\$0	(100.0%)
Land, Building & Improvements	\$1,041,360	\$363,517	(65.1%)
Equipment	\$1,069,197	\$495,903	(53.6%)
Buses/Vehicles	\$23,464	\$613,096	2513.0%
Dues and Fees	\$1,590,639	\$1,689,313	6.2%
Insurance	\$203,983	\$52,360	(74.3%)
Awards and Prizes	\$3,087	\$3,476	12.6%
Miscellaneous	\$4,668	\$14,513	210.9%
Total Materials and Supplies	\$7,883,348	\$5,825,199	(26.1%)

Source: FY 2004-04 Annual Financial Reports (4502's)

Note: Slight variations may occur due to rounding.

Table 2-5, shows that LLSA has, in most cases, been able to reduce expenditures from FY 2003-04 to FY 2004-05 and that LLSA has been effective in monitoring material and supplies expenditures. It reduced expenditures by 26 percent in materials and supplies; however purchased services increased 220 percent. As previously noted, the increase is primarily attributable to pupil transportation, which increased as a result of contracting with Petermann Transportation to provide busing services. Also, in FY 2004-05, expenditures increase in busing/vehicles was the result of adding approximately 10 new buses to the District's fleet at a cost of \$612,000 (see the **transportation section**).

Miscellaneous expenditures increased by 210 percent in FY 2004-05. However, the amount of this increase was only \$9,845, and is not material to the analysis. Based on this information, the increase appears to be a function of low prior year expenditures.

Tables 2-3 through **2-5** illustrate that LLSD has successfully controlled its expenditures in most areas. This is evidenced by decreases in most discretionary line items from FY 2003-04 to FY 2004-05. While LLSD did have higher levels of expenditures in pupil transportation, mileage/meeting expenses, buses/vehicles, and miscellaneous expenditures, these could be attributed to increased enrollment and changes in accounting (see also the **transportation** section). Despite noteworthy efforts, operating deficits are forecasted, primarily due to the District's rapidly growing enrollment and building of three new schools. This factor is compounded by challenging economic conditions resulting from changes in the State funding formula and local conditions which are subject to dramatic changes (e.g., enrollment, tangible personal property tax receipts).

Noteworthy Accomplishments

During the course of the audit, the following best and/or recommended practices were identified within LLSD. These include the following:

- **Budget Preparation:** LLSD assesses community needs, priorities, challenges, and opportunities when creating its budget. In addition, school building officials are included in the budget process. Each building is given the opportunity to submit requests to the Treasurer's Office. The requests detail what they wish to purchase, the estimated cost, and who will benefit from the purchase.
- **Expenditure Control:** LLSD allows school principals to carry-over unspent funds from year to year. Since principals do not face a "use it or lose it" scenario, there is little pressure to spend all monies in a given fiscal year. LLSD's expenditures are below the 10 peer districts, despite rapid increases in student enrollment and staffing, and the construction of three new schools.
- **Financial Reports to the Community:** LLSD has historically issued a comprehensive annual financial report (CAFR). Furthermore, LLSD's CAFR received a Certificate of Achievement from the GFOA for the fiscal year ending June 30, 2004 which was its fifth consecutive GFOA award.
- **Low Cost per Pupil:** LLSD was able to achieve performance index scores comparable to the peer districts while incurring significantly lower per pupil costs for both instructional and support functions. As shown in **Table 2-6**, LLSD allocated 53.5 percent of its FY 2004-05 expenditures to instruction.

Table 2-6: Governmental Funds Expenditures per Pupil

USAS Function Classification	FY 2004 LLS D		FY 2005 LLS D		FY 2005 Peer District Average		Variance from Peer District Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% Variance
Instructional Expenditures:	\$4,439	56.2%	\$4,184	53.5%	\$4,509	53.5%	(\$325)	(7.2%)
Regular Instruction	\$3,788	47.9%	\$3,573	45.7%	\$3,697	45.4%	(\$124)	(3.4%)
Special Instruction	\$614	7.8%	\$582	7.5%	\$716	8.8%	(\$134)	(18.7%)
Vocational Education	\$18	0.2%	\$14	0.2%	\$20	0.2%	(\$6)	(30.3%)
Other Instruction	\$19	0.2%	\$15	0.2%	\$76	0.9%	(\$61)	(80.1%)
Support Service Expenditures:	\$3,274	41.4%	\$3,433	43.9%	\$3,283	40.3%	\$150	4.6%
Pupil Support Services	\$557	7.0%	\$596	7.6%	\$428	5.3%	(\$168)	39.4%
Instructional Support Services	\$463	5.9%	\$484	6.2%	\$531	6.5%	(\$47)	(8.8%)
Board of Education	\$1	0.0%	\$4	0.1%	\$24	0.3%	(\$20)	(82.6%)
Administration	\$652	8.3%	\$648	8.3%	\$577	7.1%	(\$71)	12.2%
Fiscal Services	\$134	1.7%	\$130	1.7%	\$197	2.4%	(\$67)	(34.1%)
Business Services	\$24	0.3%	\$12	0.2%	\$38	0.5%	(\$26)	(68.6%)
Plant Operation & Maintenance	\$726	9.2%	\$651	8.3%	\$823	10.1%	(\$172)	(21.0%)
Pupil Transportation	\$571	7.2%	\$777	10.0%	\$544	6.7%	\$234	43.0%
Central Support Services	\$145	1.8%	\$130	1.7%	\$122	1.5%	\$9	7.3%
Non-Instructional Services Expenditures	\$8	0.1%	\$14	0.2%	\$127	1.6%	(\$113)	(89.2%)
Extracurricular Activities Expenditures	\$183	2.3%	\$183	2.3%	\$232	2.8%	(\$49)	(21.0%)
Total Governmental Fund Operational Expenditures	\$7,903	100.0%	\$7,813	100%	\$8,151	100.0%	(\$338)	(4.1)%

Source: FY 2004-05 Annual Financial Reports (4502s)

Note: Slight variations may occur due to rounding.

In many instances, the amount of instructional spending per student has a direct effect on the level of academic performance. In FY 2004-05, LLS D received an academic performance indicator score of 100.9, slightly lower than the peer district average score of 102.7. In FY 2004-05, LLS D incurred instructional expenditures per student of \$4,184 compared to the peer district average of \$4,509. From FY 2003-04 to FY 2004-05, LLS D decreased its instructional spending per pupil by 5.7 percent while experiencing a 2.3 increase in its performance indicator score. It should be noted that, since LLS D's overall expenditures are lower than the peer districts, spending in certain areas may appear higher as a percentage of total expenditures.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted in several areas which did not warrant changes and did not yield recommendations. These are highlighted below:

- **Treasurer's Office Staffing:** Based on a staffing analysis, LLSD's Treasurer's Office staffing is similar to the peer districts. In addition, the staff appears qualified and adequately cross-trained.
- **Increasing Revenues:** To increase revenue, LLSD proposes levies and bond issues as needed. The most recent levy passed in November 2005, and the community has approved 12 bond issues since 1953. The levies and bond issues allow LLSD to build new schools and continue to provide services at adequate levels.
- **Control Environment:** LLSD has established a satisfactory control environment by requiring deposits of cash to be made within 24 hours of receipt; receiving an annual external audit that it uses to improve operations; and ensuring compliance with policies and procedures through an internal audit. LLSD also uses the accountant to conduct random checks of building safes to verify the funds are being deposited within 24 hours of receipt. In addition, LLSD facilitates accountability for restricted sources of funds through fund accounting.
- **Receiving and Responding to Stakeholder Feedback:** LLSD uses several mechanisms to receive and respond to feedback from stakeholders. Mechanisms include, the District's Parent Council that meets with the Superintendent on a regular basis to serve as a link between all schools and their parent groups and surveys of parents to solicit feedback concerning District issues. LLSD also includes a "Contact Us" section on its website.
- **Inventory System:** LLSD has policies and procedures for effectively managing its fixed assets. The procedures include an electronic system to exercise control over fixed assets. The system has a high degree of functionality and facilitates the performance of an annual inventory audit through scanning of barcodes affixed to the assets. In addition, inventories are reconciled to determine if items are missing.
- **Budget Process:** LLSD used a budget calendar in FY 2002-03 to guide the budgeting process. This practice ended during the recent levy campaigns. However, the Treasurer plans to use the budget calendar for the FY 2007-08 budget process. The previous calendar dictated when certain events should occur, including when individual building budget requests were due, when the budget should be sent to the Finance Committee, and when the Board should receive the budget. The Treasurer also prepares a presentation for the Board explaining LLSD's budget needs and concerns for the upcoming fiscal year.

- **Payroll Controls:** LLSD has established controls over the payroll process which minimize staff time and ensure accurate posting to the general ledger. These controls include using: payroll software with automated controls, using a checklist each pay period to ensure steps are completed, allowing eight days for review, creating a schedule of pay days which establishes the due dates for attendance reports from building secretaries, and requiring all regular employees to use direct deposit.
- **Community Involvement:** LLSD'S staff and students are involved in the community and, in return, the community participates in District events. For example, LLSD staff regularly participates in community service projects, including the Random Acts of Simple Kindness Affecting Local Seniors (RASKALS) program, which provides home maintenance assistance for local senior citizens. In return, LCSD benefits from community participation and funding in school events, such as dances, theater performances, and athletics.

Recommendations

Financial Forecasting and Planning

- R2.1 LLSD should develop policies and procedures for the creation and review of the five-year forecast. These policies and procedures should address key factors, including parties responsible, methods used for gathering the information, the extent to which historical results or trend analysis are used, assumption development and evaluation, supporting documentation for the assumptions, and the presentation of the forecast. In addition, LLSD should use the forecast creation process to review various scenarios (e.g., the effect of different COLAs), to determine the potential effect of proposed budgetary practices on service levels and financial goals.**

LLSD does not have formal written policies for the creation or review of the five-year forecast. The practice has been for the Treasurer to work with the Cabinet, which is comprised of Human Resources, the Assistant Superintendent, a technology representative, a special education representative, and two school principals. The members work collaboratively using the Treasurer's spreadsheets with historical and projected amounts to determine the forecast. The forecast is then presented to the Board for approval. However, this practice is informal, and, should the Treasurer leave LLSD, this practice may be discontinued. It should be noted that the workgroup preparing the forecast does not include any Board members, and that the Board's involvement is limited to approval of the forecast.

Also, an analysis of the five-year forecast and its assumptions found that salaries and wages are overstated each year (See **R2.2**).

AOS' *Best Practices* (Spring 2004), notes that forecasts should be reasonable, neither overly optimistic nor overly conservative. Using the best information available to develop a forecast ensures greater accuracy and, as a result, a better understanding of the entity's long-term financial health. Reasonable forecasts ensure that the District is prepared for changes in revenue or expenditures. Policies and procedures, and the associated methodology for improving projections can be implemented at no additional cost to the District. Additionally, according to GFOA, a government should develop a process for achieving consensus on the forecast of revenues used to estimate available resources for a budget. A process that provides for developing consensus on the revenue forecast is more likely to remove the forecast from ongoing dispute and keep the budget process on track. The process of achieving consensus helps ensure a critical review of assumptions underlying the forecast.

Without written formal procedures for the creation of the forecast, the loss of a staff member could result in inconsistencies and future inaccuracies. Also, without Board members present during the creation, there could be delays in its adoption that stem from confusion and/or disagreements. Developing consensus on the budget and/or financial forecast is more likely to reduce ongoing disputes, educate Board members on the operations of the District, foster collaboration between representatives of the Board and executive and administrative staff, and keep the process on track.

Also, policies for the review and gathering of information would likely yield a more accurate headcount from Human Resources during the preparation of the forecast. Since the employee headcount has been overstated, the District's future financial picture may appear unnecessarily dire. This may lead to unnecessary increases in revenue or harsh and unnecessary expenditure reductions. Additionally, overstatement of expenditures in the financial forecast could result in the District being placed in fiscal caution, watch, or emergency status by ODE or the AOS. In addition, the preparation of projections under different assumptions or scenarios permits decision makers to consider the level and mix of taxes, user fees, and other revenue and expenditures that would be required to provide various levels of service.

R2.2 LLSD should revise its methodology and projections for major line-items in the expenditures category. Current projections do not adequately project costs to the District and increase the likelihood of overstating expenditures. The Treasurer should include an analysis to determine the accuracy of the District's past five-year forecast to identify consistencies and significant variances that may impact the methodology and projected amounts.

LLSD generally overstates expenditures in its forecast. This practice is used to ensure a highly conservative approach to forecasting. Overall, projected expenditures had a historical average variance of 4.65 percent higher than actual expenditures, or an average of approximately \$5 million. The areas with the largest average historical variance are salaries (4.71 percent), benefits (5.83 percent), and supplies/materials (38.98 percent). According to the Treasurer, the overstatement of salaries and benefits stems from the employee count provided by LLSD's Human Resources Department for the forecast preparation. The headcount includes all individuals receiving payment from LLSD, including individuals who are on leave, and the substitutes filling those positions, resulting in forecasting extra positions and costs that technically may not exist for the entire forecast period.

The District's five-year financial forecast shown in **Table 2-1**, has salaries projected to increase an average of 6.3 percent annually over the forecast period. The 6.3 percent increase includes an average 2.9 percent pay raise for District employees as well as 25 additional staff members to accommodate projected enrollment increases per year.

LLSD's projected salaries and wages have exceeded actual expenditures by an average of 4.71 percent. This includes a significant one time variance of 8.6 percent in FY 2004-05 due to staffing reductions and pay freezes, which has skewed the historical average. Therefore, the forecast adjustment is based upon an average of the variances for FY 2002-03 and FY 2003-04, of 3.2 percent and 2.2 percent respectively or 2.7 percent.

Table 2-7A reflects projected and revised salaries and wages for FY 2005-06 through FY 2009-10. The Treasurer's October 2005 forecasted amounts have been reduced by 2.7 percent annually. The Treasurer did not update the District's forecast in May 2006

Table 2-7A: Revised Salary Projections (in 000's)

	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
LLSD Projected Salaries	\$75,282	\$79,172	\$86,349	\$93,588	\$99,311
AOS Revised Salaries	\$73,197	\$76,979	\$83,957	\$90,996	\$96,560
Net Impact on Forecast	(\$2,085)	(\$2,193)	(\$2,392)	(\$2,592)	(\$2,751)
Cumulative Impact on Forecast	(\$2,085)	(\$4,278)	(\$6,670)	(\$9,262)	(\$12,013)

Source: Lakota LSD and AOS

Also, as benefits are determined through the headcount, an artificially high headcount results in artificially high benefit amounts. Historically, LLSD's Treasurer projected benefits has exceeded actual expenditures by an average of 5.83 percent. However, this includes a variance of 8.1 percent in FY 2004-05 due to staffing reductions and pay freezes, which skewed the historical average. Therefore, the forecast adjustment is based upon an average of the variances for FY 2002-03 and FY 2003-04, which exceed actuals by 6.1 percent and 3.3 percent respectively or 4.7 percent. **Table 2-7B** reflects projected and revised benefits for FY 2005-06 through FY 2009-10.

Table 2-7B: Revised Benefits Projections (in 000's)

	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
LLSD Projected Benefits	\$23,045	\$25,343	\$27,786	\$30,489	\$33,156
AOS Revised Benefits	\$21,966	\$24,157	\$26,486	\$29,062	\$31,604
Net Impact on Forecast	\$1,079	\$1,186	\$1,300	\$1,427	\$1,552
Cumulative Impact on Forecast	\$1,079	\$2,265	\$3,565	\$4,992	\$6,544

Source: Lakota LSD and AOS

Supplies/materials represent 2.1 percent of LLSD's budget. Given the new schools that are expected to open in FY 2007-08, this will increase in value even further, therefore, LLSD should ensure the forecast expenditures are as accurate as possible. LLSD's projected supplies/materials have exceeded actual expenditures by an historical average of 38.98 percent. This stems from the practice of allowing the carry-over of funds from year to year. Since the Treasurer is unaware of what will be carried over in each building,

the forecast routinely exceeds actual expenditures. **Table 2-7C** reflects projected and revised supplies and materials for FY 2005-06 through FY 2009-10.

Table 2-7C: Revised Supplies/Materials Projections (in 000's)

	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
LLSD's Projected Supplies/Materials	\$6,779	\$4,413	\$4,501	\$4,591	\$4,683
AOS Revised Supplies/Materials	\$5,065	\$3,297	\$3,363	\$3,431	\$3,499
<i>Net Impact on Forecast</i>	\$1,714	\$1,116	\$1,138	\$1,160	\$1,184
Cumulative Impact on Forecast	\$1,714	\$2,830	\$3,968	\$5,128	\$6,312

Source: Lakota LSD and AOS

Because salaries, benefits and supplies and materials comprise 80 percent of the District expenditures, it is imperative to assess the risk of forecast inaccuracies in conjunction with other analytics. The consistency and significance of past variances of specific line items will help to identify weaknesses in the projection methodology.

Internal Audit Function

R2.3 LLSD's accountant, as the internal auditor, should be independent and should share completed reports with the Finance Committee. The position should be integral to the design and monitoring of the District's internal control procedures and should not be directly involved in financial processes, such as payroll processing. By restricting the internal audit function to a monitoring and reporting capacity, LLSD will improve its overall control environment.

LLSD hired an accountant in September 2003 to, among other duties, operate as an internal auditor and report findings to the Treasurer. However, when budget reductions were implemented, the accountant assumed the duties of the payroll supervisor and grant coordinator. The internal audit program was formulated by an outside consultant and focuses on ensuring deposits are made within 24 hours and that purchasing policies are following. The audit program has not been updated and there are no formally adopted internal audit policies and procedures (see **R2.4**).

Additionally, the accountant/internal auditor and Treasurer determine the audit workload, without input from the Finance Committee. The practice is for the accountant/internal auditor to attempt to complete an audit of one elementary school, one junior high school, and one high school per year and report the results to the Treasurer, building secretary, and school principal, although there are no formal policies governing the review and release of internal audits (see **R2.4**). Audits have not traditionally been shared with the Finance Committee. The fiscal year following the audit, the accountant/internal auditor

reviews the recommendations and verifies that they have been implemented. There have been no instances of non-compliance, so there are no established procedures for resolving non-compliance.

According to the Government Accountability Office (GAO) *Government Auditing Standards*, auditors should not perform management functions or make management decisions and should be free from responsibility for managing an entity or decision making that could affect operations of the entity or program being audited. For example, the accountant/internal auditor should not function as a director, officer, or other senior manager of the entity, activity, or program being audited, or as a member of management in any decision making, supervisory, or ongoing monitoring function for the entity, activity, or program under audit.

In addition, GAO states that certain federal, state, or local government audit organizations or audit organizations within other government entities, such as public colleges, universities, and hospitals, may employ auditors to work for management of the audited entities. These auditors may be subject to administrative direction from persons involved in the government management process. A government internal audit organization can be presumed to be free from organizational impairments to independence when reporting internally to management if the head of the audit organization meets all of the following criteria:

- Accountable to the head or deputy head of the government entity;
- Required to report the results of the audit organization's work to the head or deputy head of the government entity; and
- Located organizationally outside the staff or line management function of the unit under audit.

It should be noted that, during the course of this audit, the District indicated the accountant will be relieved of the payroll duties in 2006. However, since the accountant does not report to the Finance Committee, the position does not meet the GAO requirement of being free from organizational impairments. As the internal auditor function should be independent from the Treasurer's Office, it should share completed reports with the Finance Committee, which includes the Treasurer. The position should be integral to the design and monitoring of the District's internal control procedures and should not be directly involved in financial processes such as payroll processing. If it is determined that the accountant is too involved in District activities to be completely independent, LLSD should consider the use an independent contractor to function as an internal auditor in order to ensure complete independence. By restricting the internal audit function to a monitoring and reporting capacity, LLSD will improve the overall control environment of the District.

R2.4 LLSD should include the Finance Committee in planning the engagements for the internal auditor. LLSD should also conduct an annual risk assessment to ensure that internal audits are in accordance with Board policies, areas warranting a review are being identified and reviewed, and that the audit program is current and addresses identified risks.

The accountant/internal auditor's goal is to conduct three school audits during the second half of the fiscal year. Additional unannounced audits are conducted of building safes at random intervals throughout the year. The accountant/internal auditor may also conduct reviews of schools identified by external audits as having held funds longer than the 24 hour period allowed by the ORC. Internal audits are done according to an approved audit plan; however, the plan has not been updated since it was created prior to the hiring of the accountant in 2003. It should be noted that neither the Board nor the Finance Committee are included in planning the engagements for the accountant/internal auditor.

According to GFOA, three main groups are responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors. Of these three, the governing body must be seen as "first among equals" because of its unique position as the ultimate monitor of the financial reporting process. An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. 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. Additionally, according to GAO, a written audit plan should be prepared for each audit and should be updated, as necessary, to reflect any significant changes to the plan made during the audit.

When LLSD created the position of accountant/internal auditor, the Treasurer and an outside contractor created a standardized audit plan to be used for each school. The collaboration involved a risk assessment and a review of applicable laws. However, by not including the Finance Committee in the selection process, LLSD may not capture the concerns or views of the Board or the community. Also, without an annual risk assessment or update to the audit plan, important areas may be overlooked. For example, the rotating selection method used to choose which schools are audited could allow problems to go undetected for long periods of time. Since LLSD continues to be cited for non-compliance with timely deposits of student fees, and athletic and extra-curricular activities funds, additional steps should be added to the audit plan that identify and help to remedy the problem. Since LLSD has a standing Finance Committee composed of

internal and external members, the District should use the Committee as an audit committee to objectively assess its financial practices and external audits. The Committee should also be involved in the planning of internal audits and the updating of the risk assessment and audit plan. As part of its duties, the Finance Committee should ensure that LLSD conducts an annual risk assessment. An annual risk assessment helps to ensure that all areas warranting audits are identified and being reviewed.

Financial Policies and Procedures

R2.5 Although fiscal management practices at LLSD appear sound and yield reliable information, the District should develop formal policies for several major financial management areas to meet best practices. Also, the Board should periodically review and revise its financial management policies and procedures. The creation of new policies and procedures helps to ensure that financial management personnel are clearly aware of LLSD's operations and Board expectations.

The District has several formally adopted written financial management policies and procedures for receipts and banking, budgeting (for building personnel), purchasing in general, student activities and general accounting. However, the formal procedures do not include several best practice elements. According to GFOA's *Best Practices in Public Budgeting*, formally adopted written policies and procedures in the fiscal management area ensure continuity, consistency and reliability, facilitate the training of new employees, and promote communication with stakeholders. Additional benefits may arise from specific polices including the following:

- **Debt management** - A debt management policy provides written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of the debt portfolio. It improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year capital plan.
- **Revenue Diversification** - A government should adopt a policy that encourages a diversity of revenue sources. Sources could include, but not be limited to tax issues, grants, and user fees. A policy regarding diversity of revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.
- **Competitive Bidding** - Lakota LSD should include a competitive bidding policy in its purchasing procedures to comply with Ohio Revised Code Sections 3313.46, and 125.04(C). This policy would provide guidelines to all District personnel and

enhance the Treasurer's and Business Manager's monitoring control over expenditures, while clearing up any confusion that may exist between departments/schools. Policies will also ensure that each purchase is made without bias and is in the best interests of the District. Competitive bidding policies should detail competitive bidding thresholds, competitive bidding procedures, vendor award procedures, vendor lists, vendor relations policies, and vendor performance requirements. It should be noted that during the course of this audit, LLSA promulgated and adopted a competitive bidding policy.

- **Ethics** – The District should establish a written policy that prohibits all employees from accepting, soliciting, or using the authority or influence of their position to secure items of personal benefit for themselves, family members or associates. An ethics policy will help to ensure that LLSA personnel maintain the public's trust by not misusing their official positions for personal benefit or for the benefit of family members or business associates.
- **One-time revenues** – The District should adopt a policy limiting the use of one-time revenues for ongoing expenditures. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these sources.
- **Balancing the budget** – The District should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs. The policy should provide clear definition as to how budgetary balance is to be achieved, identification and rationale for the inclusion or exclusion of resources and resource uses, whether inter-fund transfers are included, when deviation from a balanced budget may occur, and be readily available to stakeholders and publicly discussed at key points in the budget process.
- **Contingency planning** - The development of policies and procedures for contingency planning will help guide the District during natural disasters, emergencies, and unexpected events. When an emergency does occur; a contingency plan allows the government to recover funds more quickly or more effectively in the event of a natural disaster.
- **Stabilization funds** - Stabilization funds are called by many names including rainy day funds, unreserved funds, undesignated fund balances, and contingency funds. The District should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of

temporary revenue shortfalls or unpredicted one-time expenditures. The policy should establish how and when the District builds up the funds, and identify the purposes for which they may be used. The minimum and maximum amounts to be accumulated may be based on the types of revenues, condition of capital assets or the District's level of security with its financial position.

- **Internal audit** – Detailed policies and procedures for the internal audit function will help ensure consistency, and reliability of the data. The policy should include, but not be limited to the following: when to conduct unannounced audits, parties to review audits, personnel and sources to gather information, etc. Also, a formal policy regarding presentation would ensure that each audit is presented in a uniform manner (see **R2.3** and **R2.4**).

Fiscal policies, plans, programs, and strategies should be adjusted as needed. Changing conditions or programs and services that are not producing the desired results or efficiently utilizing resources may require adjustments in order to continue to meet the needs of stakeholders and accomplish the District's goals. In general, formally adopted written policies and procedures should be routinely updated to ensure that they are relevant and complete.

LLSD would also benefit by augmenting existing policies and formalizing current practices to include the following:

- **Budget guidelines and instructions** - LLSD should prepare guidelines and budget preparation instructions for each budget cycle.
- **Budget calendar** - The preparation of a calendar helps ensure that all aspects of the budget process have been considered and that adequate time has been provided. Although LLSD has used a calendar in the past, in the event that changes in administration occur, policies for the creation of a calendar would ensure continuity of District best practices.
- **Student activity policies** – LLSD should augment its student activity policies by including the manner in which fees and charges are established and the extent to which they cover the cost of the service provided.

The Board should review and revise all financial management policies and procedures, and create new policies and procedures for the areas listed above in order to ensure that future treasurers are clearly aware of the LLSD's operations and Board expectations. In the future, policies and procedures should be reviewed and evaluated periodically using GFOA Best Practices. The reviews should also ensure that there is no duplication of

efforts among LLSA financial staff. Also, policies and procedures should be formally updated whenever changes are made to existing practices.

Performance Measures

R2.6 LLSA should develop and publish a clearly written, multi-year strategic plan with annual goals and measurable objectives based on identified needs, projected enrollment and revenues. The plan should be closely linked to the five-year financial forecast and continuous improvement plan, resulting in a broader, more comprehensive plan which provides vision and direction for the District's efforts. The plans should link educational and operational goals, as well as capital needs.

LLSA's current strategic plan includes three separate goals:

- Guaranteeing an environment that fosters respect for individual differences;
- Achieving recognition as a world class school district; and
- Becoming a nationally recognized leader in customer focused, performance driven education.

The strategic plan also includes multiple strategies to accomplish the goals, as well as both district and building indicators. The indicators are designed to help show the progress LLSA has made towards achieving its goals. In some instances, the strategic plan provides dates for implementation and/or achievements.

The Baldrige National Quality Program's *Education Criteria for Performance Excellence*, provides a systems perspective to goal alignment, particularly when strategies and goals change over time. There are four defined stages:

1. Planning, including design of processes, selection of measures and deployment of the requirements;
2. Executing plans and organizational agility;
3. Assessing progress and capturing new knowledge, taking into account internal and external results; and
4. Revising plans based on assessment findings, learning, new inputs, new requirements and opportunities for innovation.

Strategic planning involves two distinct parts: development of strategic objectives and the action plans for achieving those objectives, along with deployment.⁵ Strategy development is the approach (e.g., forecasts, projections or scenarios) used to envision the future for purposes of decision making and resource allocation. Strategies should be built around or lead to any or all of the following: addition or termination of services and programs; redirection of resources; modifications in instructional design; use of technology; changes in testing or adoption of standards; services to new, changing, and special student populations; geographic challenges; grants and endowments; research priorities; new partnerships and alliances; and new faculty and staff relationships. Another factor that should be present in a strategic plan is the use of resources, which ensures the availability of well-prepared faculty and staff, and bridges short and longer-term requirements that may entail capital expenditures, technology development or acquisition, or development of partnerships or collaborations. Lastly, accomplishment of action plans requires allocating resources and specifying key performance requirements, measures, and indicators for such areas as faculty/ staff development plans and the use of learning technologies.

LLSD's strategic plan meets the many of the best practices identified by the *Education Criteria for Performance Excellence*, but fails to address such issues as: fund balance levels and funding sources; teacher salary increases; health benefit levels; class size reductions; and how the goals should be considered in program and budgetary decisions. Except for certain goals, the strategic plan also lacks annual goals for future years. Also, while the strategic plan has action plans, the plans are not clear and detailed. The same weaknesses exist in LLSD's continuous improvement plan.

Since LLSD's five-year forecast is the financial plan for the District, and the continuous improvement plan is the educational plan for the District, operating without a comprehensive strategic plan linking both could result in duplication of efforts, incompatible goals, or inefficient use of resources. For example, LLSD's enrollment increases by approximately 500 students per year, which translates into the need for additional schools and staff. Failure to properly plan for the new schools, additional staff, increased student population, and the resources needed for such undertakings could result in spending on unnecessary and inefficient programs; unneeded levies; and increases in expenses to the stakeholders. Therefore, LLSD should develop and publish a clearly written, multi-year strategic plan with annual goals and measurable objectives based on identified needs, projected enrollment and revenues.

R2.7 LLSD should implement a financial performance measurement system which allows it to assess progress in meeting established goals and objectives. The performance

⁵ Deployment is the process of converting objectives into action plans. It can also include how the organization assesses progress relative to these action plans.

measurement system should include performance standards developed by LLSD administrators that are incorporated into both the District's strategic plan and continuous improvement plan.

LLSD does not use financial performance measures that would enable administrators to assess the District's progress in achieving prescribed goals and objectives; rather, it relies on educational performance measures and ODE's expenditure calculations to indicate the success of the District. The Treasurer indicated that, although Pentamation, LLSD's accounting system, allows for programs and costs to be tracked, USAS' multi-dimensional account system is not designed to track programs, which increases the difficulty of implementing performance measures.

According to GFOA, a key responsibility of state and local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible, and to communicate the results of these efforts to the stakeholders. Performance measurement, when linked to the budget and strategic planning process, can assess accomplishments on an organization-wide basis. When used in the long-term planning and goal setting process and linked to the District's mission, goals, and objectives, meaningful performance measurements assist District officials and citizens in identifying financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery. In addition, GFOA encourages all governments to use performance measures as an integral part of the budget process. Over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals and objectives of each department.

In the final analysis, GFOA recognizes that the value of any performance measurement program is derived through positive behavioral change. Stakeholders at all levels must embrace the concept of continuous improvement and be willing to be measured against objective expectations. GFOA urges governments to recognize that establishing a receptive climate for performance measurement is as important as the measurements themselves.

Without financial performance measurements, LLSD may operate programs that are not cost-efficient or consistent with District or community goals. Operating programs without financial performance measures may also make it more difficult to terminate a given program. Additionally, the lack of performance measures could allow LLSD to continue operating with unobserved or unidentified trends. For example, LLSD may believe a program in a department is driving costs upward, yet that program may be part of an overall problem within a department or building. Therefore, LLSD should use a performance measurement system that would allow it to assess its progress in meeting its goals and objectives.

R2.8 LLSD should formally evaluate the financial performance and costs of its major educational and operational programs and use the evaluation results to improve the program performance and cost-efficiency of its strategic and continuous improve plans.

LLSD assesses the progress it has made towards achieving various established school improvement goals by reviewing the results of standardized tests and the Average Yearly Progress (AYP). The assessments also include goals such as increasing the performance levels of students passing State reading, mathematics, and science assessments for all subgroups to meet AYP requirements and State report cards indicators; reducing the drop-out rate and increasing the graduation rate for FY 2006-07; and improving the attendance rate. However, the assessments do not relate directly to the goals established in the strategic plan or the continuous improvement plan. For example, the assessments do not address the strategic plan's goal of guaranteeing an environment that fosters respect for individual differences, nor does it address the strategy of creating world-class performance-based indicators for standards with definitions and established timelines for implementation. The assessments also fail to address certain areas within the continuous improvement plan. For example, the assessments do not address class size reduction; development of a data management system that tracks and aligns the activities of intervention/referral/evaluation/individual educational plans with mandated time lines and Ohio Academic Standards; or the progress towards achieving a safe school environment.

OPPAGA recommends that boards annually assesses the progress made toward achieving district objectives and annually review and, if necessary, amend its priorities and strategic plan to reflect changes in community standards and student needs. To do so, the District should:

- Determine whether the program or activity is meeting its goals and objectives in a cost-effective manner;
- Issue assessment reports that include findings and recommendations to improve the effectiveness and/or efficiency of the program or activity being evaluated;
- Provide assessment reports to the Board and administrators; and
- Demonstrate specifically how it uses the assessment results to improve performance and cost efficiency.

Proposing strategies and goals that it does not then measure and evaluate may leave the District without clear direction on how to proceed and ensure goal achievement. Additionally, assessing goals on a regular basis will help determine which goals are feasible and relevant to District operations, thereby conserving resources. Also, assessing progress will allow LLSD the opportunity to determine what changes need to be made to the curriculum, staffing, and other District operations. LLSD should assess progress it has

made towards achieving its established goals and objectives in the strategic plan and Continuous Improvement Plan, and propose revisions to its strategic planning and budgeting elements when necessary.

R2.9 LLSD should compare information from financial performance measurements and comparisons to established benchmarks during the planning and budgeting stages to set goals and identify the constraints under which District educational programs or departments must operate.

LLSD uses the results of educational performance assessments and State requirements when planning for and creating the budget, but does not include financial performance measures. According to LLSD's Assistant Superintendent, standardized tests are used in planning and budgeting to: determine staff development areas, help drive curriculum alignment, and determine the need to update materials and textbooks. LLSD also included the State Standards Analysis (Analysis) in the planning and budgeting process. The Analysis identifies areas that exceed minimum State standards and areas to be considered before making changes, but does not include financial performance measures in areas identified as warranting change. The Analysis was completed by an independent contractor to determine if or where reductions could be made, and to help familiarize the new Superintendent with the District. However, since the Analysis does not take into consideration the financial impact of reductions, or financial performance measures, the actual efficiency of areas exceeding State minimum standards is not considered, thus resulting in more of a compliance analysis instead of an actual performance assessment.

According to GFOA, the information provided from a performance measurement system is useful for many functions including:

- Planning – governments have found that the measurement-development process provides a focus and a discipline for engaging in planning. The addition of performance measures adds more detail and rigor to the planning, monitoring, and evaluating stages of a strategic planning process.
- Budgeting – performance measures can contribute to the formulation and justification of budget requests. They can serve to illustrate the benefits that can be achieved with an additional level of resources made available to a program. Comparably, in cases of sinking resources, performance measures can help governments make the case for budget reductions targeted in particular programs or functional areas rather than implementing reductions with across-the-board cuts.

Performance measurement is most useful not as a score-keeping and reporting system, but as a tool for serving a variety of management processes. The absence of financial

performance measures makes it more difficult for LLSD management to identify areas that might improve the financial condition. Effecting changes in programs that result in demonstrable cost efficiencies would also be difficult. Additionally, without financial performance measures, the budgetary process becomes increasingly difficult as decision-makers are unclear about priorities and areas where additional resources would yield greater gains. Performance measures can also provide justification for targeted budget cuts rather than across the board cuts, limiting services affected. It should be noted that LLSD broadcasts its low per pupil expenditures but does not set goals for this measure or indicate how the low costs were achieved. In order to promote cost-efficiency, LLSD should incorporate information from financial performance measurements and comparisons to established benchmarks during planning and budgeting.

R2.10 Although LLSD regularly evaluates its educational performance, the District should routinely compare present operating results to past performance using historical financial and performance measurement data to aid in budgeting and planning.

LLSD's evaluation measures predominantly consist of effectiveness/outcome measures (e.g. proficiency tests results that indicate the outcome of a student's education). LLSD does not routinely measure the efficiency of its programs through the use of input measures, output measures, or efficiency measures. Instead, the District compares its current educational performance to both past performance and peer district performance. For example, after standardized test results are announced, LLSD analyzes its performance in relation to the State average and at the individual school level. LLSD also analyzes individual student data to help teachers adjust curriculum.

Another method the LLSD has used to assess its performance is the State Standards Analysis. The State Standards Analysis is a comparison of the minimum operating standards for public schools to the curriculum, services, staff, and programs of LLSD. The analysis also compares LLSD to peer districts and State averages. It does not include actual cost efficiencies, but rather, identifies areas that exceed State minimum standards, which could indicate an area of inefficiency.

According to the GFOA, one of the most frequently used sets of terms separates performance measures into the following four basic types:

- **Input measures:** Input indicators measure the volume of resources, both monetary and non-monetary, that are used in delivering a program or service. Total expenditures arising from the provision of a program or service are a frequently used monetary input measure.
- **Output measures:** Output indicators report the quantity or volume of products and services provided by the program.

- Effectiveness/Outcome measures: Effectiveness indicators measure the results, accomplishments, or quality of the item or service provided.
- Efficiency measures: Efficiency indicators quantify the relationship between input and output. They can be expressed as productivity ratios or as unit cost ratios.

Comparisons of educational programs allow the District to improve weak areas. Since LLSD does not have financial performance indicators, it is unable to evaluate the financial impact of new programs or the cost effectiveness of existing educational programs. The State Standards Analysis compares LLSD to the State minimum standards but does not present actual cost data. Relying on this analysis to make changes to programs may not result in greater operational efficiency.

LLSD should routinely compare present operating results to its past performance using historical financial and performance indicator data. To do so, LLSD should develop effective financial performance measures such as input, output, effectiveness, and efficiency measures, as well as using available benchmarks. Examples of the measures include instructional and general administration expenditures per student; income, expenses, reserves, and endowments; tuition and fee levels; cost per academic credit; annual grants and awards; cost avoidance or savings; performance to budget; program expenditures as a percentage of budget; annual budget increases or decreases; or resources redirected to education from other areas. After developing the financial performance measures, LLSD should incorporate a trend analysis into the evaluation process. The trend analysis would indicate if low scoring, high cost areas are an anomaly that might warrant investigation or if they are becoming part of a trend, which might require redirection of educational and operational programs.

R2.11 LLSD should augment its curriculum evaluations to include specific goals for both individual subjects (e.g., math, science) and grade level. Additionally, LLSD should include a financial analysis of educational programs when conducting the program assessments to ensure that the District operates the individual educational programs in a cost-efficient manner and has achieved the desired results within financial constraints.

LLSD regularly assesses its educational programs by reviewing the results of standardized tests, monitoring AYP, reviewing course offerings, examining positions recently eliminated or soon to be eliminated to determine the impact on schools and services, and monitoring individual student achievement. However, the assessments do not address financial considerations or provide clear goals or objectives. Recent internal assessments are highlighted below:

- LLSD has reviewed the course offerings at Lakota East High School, Lakota West High School, and Lakota Freshman School. The review of course offerings involved the following:
 - A survey of students regarding class choice;
 - An evaluation of each individual course that included determining if it is required for graduation, if it is a college preparatory course, and if it meets future needs of students;
 - A general opinion of the course; and
 - Involvement of community members.

As a result, six classes were not recommended for continuation and four were recommended for revision. The review also discovered that the secondary schools were offering certain classes at only one school and requiring students to travel to that school to take the class. As an alternative, they were exploring using on-line courses. As result, it was recommended that the District consider the expanded use of on-line coursework.

- LLSD reviewed the effect of the reduction in media specialists and math resource teachers. These evaluations covered the following:
 - The roles they filled; and
 - The effect on class schedules, and student contact time.

It was determined that, because of the variation in use of the different positions among the schools, further study was required to determine the full impact.

The evaluations of the media resource specialist and math resource teacher lacked clear recommendations regarding the position's continuation, how the use of either position actually affected school or program performance, or criteria for the elimination of the position.

- LLSD also conducted an evaluation of high school educational programs. The evaluations focused on two separate goals: the first was to provide a quality education and the second was to use resources effectively and efficiently.

As mentioned above, the evaluations lacked clear recommendations or means to achieve the desired goals. Furthermore, the goals were not clearly stated or distinctly measurable. Examples of goals that LLSD could use include: achieving student performance in the top quartile of the state's schools on a normalized test that is given annually or having an average ACT score of 28.

According to OPPAGA, a district's internal evaluations should examine whether the program or activity is meeting its goals and objectives in a cost-effective manner. The regular evaluation of programs helps the District ensure that its educational programs continue to earn excellent ratings. Without clear goals or financial performance measures, it becomes increasingly difficult to assess the effectiveness of certain programs since it is impossible to measure their success or failure, both financially and educationally. Instructional expenditures per pupil, administrative expenditures per pupil and program expenditures as a percentage of the district budget are examples of key performance measures. Although LLSD conducts regular evaluations of educational programs which focus on student achievement, by failing to state what it wants to achieve and the financial constraints within which they must operate, the District administration may not be providing sufficient guidance or direction. As a result, LLSD may not be providing educational services that fit the needs of the students. Also, LLSD cannot prove that the low cost per pupil is actually the result of efficient operations. LLSD should augment its curriculum evaluations to include specific goals for each area, and include action plans and estimated costs. Additionally, a financial analysis of educational programs should be included to ensure LLSD operates its programs in a cost-effective manner and has achieved the desired results within financial constraints.

Financial Reporting and Community Involvement

R2.12 Although LLSD publishes a comprehensive annual financial report (CAFR), it should consider publishing a popular annual financial report (PAFR). A PAFR is designed to provide non-accountants with a comprehensive overview of the financial condition of a government, and may aid the District in its public relations and communication efforts.

LLSD has issued an annual CAFR for several years. The CAFR, published by LLSD and available on its website, received a Certificate of Achievement from the Government Finance Officers Association for the fiscal year ending June 30, 2004. Additionally, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence for Financial Reporting to LLSD for each of the past four years for its CAFR.

In addition to publishing a CAFR, the GFOA recommends publishing a PAFR. A PAFR is a simplified version of a CAFR, and is designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that, in order to be most effective, popular reports should:

- Be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant;

- Contain a clearly indicated scope (i.e., does the popular report include component units as well as the primary government?);
- Mention the existence of the CAFR for the benefit of readers desiring more detailed information;
- 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;
- Avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics;
- Be used, as appropriate, to highlight and explain items of particular importance;
- Use comparative data constructively to help identify trends useful in the interpretation of financial data;
- Be distributed in a number and manner appropriate to their intended readership (e.g., newspaper or magazine inserts, sample copies provided to libraries, sample copies provided to professional offices);
- Strive for creativity in its preparation;
- Encourage users to provide feedback; and
- Establish credibility with its intended readers by presenting information in a balanced and objective manner.

A PAFR provides non-accountants a comprehensive overview of the financial position of a government and may encourage individuals to become more involved in the entity's financial processes. This report is also commonly used by government entities to enhance financial accountability within the community as it can inform the community of the entity's financial situation. The difficulty LLSD has experienced passing levies in the past could stem from an inability to effectively communicate the District's financial situation. Stakeholders may have an incorrect perception of the actual situation given the District's low-cost per pupil that is routinely mentioned in the CAFR and on the website. Since not every LLSD stakeholder has a financial background, the addition of a PAFR might assist in providing a better understanding District finances. This would, in turn, aid LLSD during future levy campaigns and in decisions requiring stakeholder approval.

R2.13 LLSD should reactivate the Business Advisory Council (BAC). The BAC should be used to coordinate District-wide efforts to partner with local businesses. Also, the BAC should help establish LLSD goals for business partnerships, similar to those of the Denver School Plan.

LLSD does not have formal policies for fostering relationships with local businesses. Each school fosters these relationships, but there is not a District-wide, coordinated effort. According to the Director for School/Community Relations, a BAC was used in the past to coordinate efforts; however, it has been inactive for several years. The existing policies and procedures encourage partnerships with businesses and explain the appropriate use of the partnership. Additionally, LLSD works with local businesses to help support District programs. For example, the District is involved with department store retailers who donate a portion of the money spent at the store to local schools. However, the partnerships are the result of the efforts of LLSD's Parent Teacher Associations (PTAs) and Parent Teacher Organizations (PTOs), not District or individual school efforts. Also, local businesses have made donations to LLSD to help support the costs of athletics, band, and academic clubs.

By forming and fostering relationships with local businesses, LLSD could help offset the costs of some programs and garner support when needed. Although LLSD regularly receives donations from businesses, it is not known what percentage of the costs for activities such as band, athletics, and academics is offset by these funds. Lakota's accounting software coded these expenditures in a manner which made it difficult for the District to identify. Furthermore, according to the ORC § 3313.174, BACs can advise and provide recommendations to the Board in areas including:

- Delineation of employment skills and the development of curriculum to employ these skills;
- Changes in the economy and job market, and the types of employment in which future jobs are most likely to be available; and
- Suggestions for developing a working relationship among businesses, labor organizations, and educational personnel in the District.

Partnerships with businesses can also provide non-financial benefits to LLSD as well. For example, while the donation of goods and services is encouraged, partnerships can help students academically or experientially through activities such as arranging for speakers in classes, assisting in developing curriculum, assisting in exploring career options, and providing training in technical skills. The BAC should be used to coordinate LLSD efforts to partner with businesses. Also, the BAC should help to establish the goals for business partnerships, similar to those found in the Denver School Plan. Goals can

include growing partnerships by 10 percent per year, matching students to mentors, offsetting costs of district activities, and ensuring reciprocity.

R2.14 LLSD should analyze and use the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on the District's financial condition. LLSD should also consider implementing the recommendations in this performance audit to improve its current and future financial condition.

Table 2-8, demonstrates the effect of the recommendations in this report and includes both the beginning fund balance for each year and the adjusted fund balance reflecting the effect of the recommendations. Forecasts, as a general rule, may show slight differences between projected and actual results as circumstances and conditions assumed in projections may not occur as expected and are based on information existing at the time the projections were prepared. These differences often are magnified in the later years of the projections.

Table 2-8: Revised Forecast with AOS Recommendations (in 000's)

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
Real Estate Property Tax	\$51,348	\$52,500	\$53,593	\$61,685	\$70,430	\$72,480	\$75,005	\$77,923
Tangible Personal Property Tax	\$8,963	\$11,302	\$12,616	\$12,913	\$11,433	\$9,191	\$7,124	\$3,234
Unrestricted Grants in Aid	\$40,544	\$43,184	\$44,860	\$45,381	\$46,036	\$46,258	\$46,485	\$47,552
Restricted Grants in Aid	\$928	\$841	\$923	\$909	\$3,421	\$5,442	\$7,305	\$9,555
Property Tax Allocation	\$8,345	\$6,651	\$7,396	\$7,508	\$7,591	\$7,719	\$7,890	\$8,149
Other Revenues	\$2,652	\$2,933	\$2,475	\$2,810	\$2,803	\$2,837	\$2,871	\$2,906
Total Operating Revenues	\$112,780	\$117,411	\$121,863	\$131,206	\$141,714	\$143,927	\$146,680	\$149,319
Total Other Financing Sources	\$288	\$824	\$191	\$1,256	\$20	\$20	\$20	\$20
Total Revenues	\$113,068	\$118,235	\$122,054	\$132,462	\$141,734	\$143,947	\$146,700	\$149,339
<i>Revised Personal Services</i>	\$72,367	\$79,470	\$73,283	\$75,282	\$76,979	\$83,957	\$90,996	\$96,560
<i>Revised Fringe Benefits</i>	\$21,164	\$24,044	\$22,473	\$23,045	\$24,157	\$26,486	\$29,062	\$31,604
Purchased Services	\$6,871	\$7,783	\$17,230	\$20,827	\$20,250	\$21,236	\$22,144	\$22,873
<i>Revised Supplies & Materials</i>	\$3,270	\$3,947	\$2,593	\$6,779	\$3,297	\$3,363	\$3,431	\$3,499
Capital Outlay	\$1,103	\$2,134	\$1,473	\$4,890	\$2,083	\$2,125	\$2,168	\$2,211
Debt Service	\$944	\$929	\$930	\$459	\$464	\$461	\$464	\$0
Other Expenditures	\$1,860	\$1,994	\$1,760	\$2,079	\$2,126	\$2,168	\$2,250	\$2,336
Performance Audit Recommendations	\$0	\$0	\$0	\$0	(\$6,167)	(\$6,246)	(\$6,510)	(\$6,601)
Other Financing Uses	\$741	\$1,085	\$3,071	\$1,843	\$1,950	\$2,037	\$2,128	\$2,224
Revised Total Expenditures	\$108,320	\$121,386	\$122,812	\$135,204	\$125,139	\$135,587	\$146,133	\$154,706
Revised Result of Operations (Net)	\$4,748	(\$3,151)	(\$759)	(\$2,742)	\$16,595	\$8,360	\$567	(\$5,367)
Revised Beginning Cash Balance	\$28,310	\$33,058	\$29,907	\$29,148	\$26,406	\$43,001	\$51,361	\$51,928
Revised Ending Cash Balance	\$33,058	\$29,907	\$29,148	\$26,406	\$43,001	\$51,361	\$51,928	\$46,561
Outstanding Encumbrances	\$2,357	\$2,105	\$3,617	\$0	\$0	\$0	\$0	\$0
Total Reservations	\$1,720	\$1,992	\$2,899	\$0	\$0	\$0	\$0	\$0
Revised Ending Fund Balance	\$28,981	\$25,810	\$22,632	\$26,406	\$43,001	\$51,361	\$51,928	\$46,561

Source: Treasurer's Office and AOS Recommendations

Table 2-9 shows the recommendations included in this report divided into two categories – those requiring negotiation, and those not requiring negotiation.

Table 2-9: Summary of Performance Audit Recommendations

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Recommendations Not Subject to Negotiation				
R3.2 Reduce 13 ESP staff positions	\$973,000	\$973,000	\$973,000	\$973,000
R3.3 Reduce 12 Special Education Teachers	\$829,000	\$829,000	\$829,000	\$829,000
R3.7 Reduce sick leave use by enhancing District-wide policies	\$147,000	\$147,000	\$147,000	\$147,000
R3.13 Purchase and implement additional HRIS module	(\$30,000)			
R4.1 Avoid hiring additional custodians	\$265,000	\$265,000	\$265,000	\$265,000
R4.6 Implement energy conservation education programs	\$72,000	\$72,000	\$72,000	\$72,000
R4.7 Reduce utility expenditures	\$349,000	\$349,000	\$349,000	\$349,000
R5.4 Increase bus utilization rate to industry benchmark of 144 students per bus	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000
R5.5 Negotiate future contracts to reflect accurate drivers' hours	\$283,000	\$283,000	\$283,000	\$283,000
R5.7 Revise the bus replacement schedule contained in Section 3(c) of the Contract	\$7,000	\$56,000	\$320,000	\$411,000
R5.12 Reduce special needs per rider costs to peer district average costs	\$330,000	\$330,000	\$330,000	\$330,000
R5.13 Increase payment in lieu of transportation agreements to peer district average	\$26,000	\$26,000	\$26,000	\$26,000
R6.2 Adopt a five-year replacement cycle	(\$434,000)	(\$434,000)	(\$434,000)	(\$434,000)
R6.5 Develop a staffing policy for technical support and increase the number of technicians	(\$233,000)	(\$233,000)	(\$233,000)	(\$233,000)
Total Recommendations Not Subject To Negotiations	\$5,784,000	\$5,863,000	\$6,127,000	\$6,218,000
Recommendations Subject to Negotiations				
R3.4 Reduce Classified Staff COLA by 2 percent	\$232,000	\$232,000	\$232,000	\$232,000
R3.6 Negotiate increased health insurance contribution to 15 percent for all employees	\$151,000	\$151,000	\$151,000	\$151,000
Total Recommendations Subject to Negotiations	\$383,000	\$383,000	\$383,000	\$383,000
Total of Recommendations	\$6,167,000	\$6,246,000	\$6,510,000	\$6,601,000

Source: AOS Recommendations

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Human Resources

Background

This section focuses on the human resource operations within the Lakota Local School District (LLSD or the District). The objective is to analyze the human resource operations of LLSD, develop recommendations for improvement in its processes and procedures, and identify opportunities to increase efficiency and effectiveness. The District's operations have been evaluated against best practices and operational standards from several sources including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the Kaiser Family Foundation Annual Survey (Kaiser), the State Employment Relations Board Annual Survey (SERB), and the Ohio School Boards Association (OSBA). In addition, Type 7 urban and suburban districts¹ with similar demographics (high median income and low poverty rates), high Ohio Proficiency test scores, and low per-pupil expenditures were used as peer districts.² For the purpose of the collective bargaining agreement assessment, LLSD's agreements were compared to four additional districts³ that were selected based on similar demographics identified by AOS. These districts are referred to as the *contract comparison districts*. Finally, AOS administered a survey of LLSD employees regarding human resources management practices. Survey questions and results can be found in **Appendix 3-A** at the end of this section.

Organizational Structure and Function

LLSD's Human Resources (HR) Department is comprised of six employees (6.0 full time equivalents⁴ or FTEs) including: the Human Resources Director (HR Director), the Employee Relations Director (ER Director), and administrative secretaries. The HR Director reports to the

¹ As categorized by the Ohio Department of Education

² The ten districts used for peer comparisons include Avon Local School District (Lorain County), Aurora City School District (Portage County); Beavercreek City School District and Sugarcreek Local School District (Greene County); Forest Hills Local School District and Loveland City School District (Hamilton County); Kings Local School District, Mason City School District, and Springboro Community City School District (Warren County); and Granville Exempted Village School District (Licking County).

³ The four districts used in the bargaining agreement assessment include Olentangy Local School District (Delaware County), and Dublin City School District, Hilliard City School District and Westerville City School District (Franklin County).

⁴ EMIS requires districts to enter full-time equivalents (FTE) based on the number of hours included in a full-time position in the employee's contract. In most cases, this represents an 8-hour day, but in classifications like food service and transportation, an FTE, as defined by the district, may work fewer hours under their respective contract.

Superintendent and is responsible for directing, coordinating, and supervising the human resource functions of the District. The HR Director also supervises the ER Director.

The ER Director manages labor relations for both certificated and classified staff as well as classified personnel functions. This includes coordinating collective bargaining negotiations, daily administration of contract provisions, and associated legal matters such as grievances. The ER Director also oversees tuition reimbursement and wellness programs.

The administrative secretaries comprise four separate positions responsible for the following: continuing education units (CEU) tracking, certificated employee data entry, classified employee data entry, background checks, substitute tracking, and certification/licensure tracking.

Staffing

Table 3-1 illustrates the percentage of actual full-time equivalent (FTE) staffing at LLSD per category as a percent of total FTEs within the District. Additionally, **Table 3-1** shows the District's staffing levels per category compared to the peer districts on a per 1,000 student basis. FTEs for both the District and the peers were obtained from ODE's Educational Management Information System (EMIS). EMIS data was verified for LLSD and evaluated for reasonableness for the peers. During FY 2005-06, LLSD reported a total of 1,621.3 FTEs.

Table 3-1: FTE Staffing Levels for FY 2005-06

	LLSD FTE per 1,000 students ¹	LLSD Percent of Total FTEs	Peer Average FTE per 1,000 students ²	Peer Average Percent of Total FTE	FTE per 1,000 Students Variance ³	Percent of Total FTE Variance
Administrators:	3.62	3.7%	5.18	4.7%	(1.56)	(1.0%)
Educational Staff:	60.87	62.3%	60.21	54.1%	0.66	8.2%
Curriculum Specialist	0.30	0.3%	0.44	0.4%	(0.14)	(0.1%)
Counselors	1.85	1.9%	2.01	1.8%	(0.16)	0.1%
Librarian / Media	0.81	0.8%	0.62	0.6%	0.19	0.2%
Remedial Specialist	1.82	1.9%	1.01	0.9%	0.81	1.0%
Regular Teachers	42.27	43.2%	42.80	38.4%	(0.53)	4.8%
Special Education Teachers ⁴	3.32	3.4%	6.63	6.0%	(3.31)	(2.6%)
Vocational Teachers	0.06	0.1%	0.34	0.3%	(0.28)	(0.2%)
Tutor/Small Group Instructors	1.16	1.2%	0.87	0.8%	0.29	0.4%
ESP Teachers	4.33	4.4%	4.19	3.8%	0.14	0.6%
Supplemental Special Education Teacher ²	4.49	4.6%	1.08	1.0%	3.41 ⁴	3.6%
All Other Educational Staff	0.46	0.5%	0.23	0.2%	0.23	0.3%
Professional Staff:	4.88	5.0%	2.41	2.2%	2.47	2.8%
Psychologists	0.72	0.7%	0.63	0.6%	0.09	0.1%
Registered Nurses	0.87	0.9%	0.41	0.4%	0.46	0.5%
Social Worker	0.12	0.1%	0.06	0.1%	0.06	0.0%
Physical Therapists	0.06	0.1%	0.05	0.0%	0.01	0.1%
Speech & Language Therapists	1.80	1.8%	0.84	0.7%	0.96	1.1%
Occupational Therapists	0.24	0.2%	0.17	0.2%	0.07	0.0%
Visiting Teacher	0.12	0.1%	0.0%	0.0%	0.12	0.1%
All Other Professional Staff	0.94	1.0%	0.26	0.2%	0.68	0.8%
Technical Staff:	9.79	10.0%	3.09	2.8%	6.70	7.2%
Computer Support	0.81	0.8%	0.52	0.5%	0.29	0.3%
Practical Nurses	0.41	0.4%	0.74	0.7%	(0.33)	(0.3%)
Library Technicians / Aides	0.70	0.7%	0.94	0.8%	(0.24)	(0.1%)
Instructional Paraprofessionals	7.81	8.0%	0.37	0.3%	7.44	7.7%
All Other Technical Staff	0.05	0.1%	0.53	0.5%	(0.48)	(0.4%)
Office / Clerical Staff:	6.42	6.6%	11.72	10.5%	(5.30)	(3.9%)
Maintenance Workers	1.27	1.3%	1.79	1.6%	(0.52)	(0.3%)
Custodians/Groundskeepers	5.43	5.6%	6.68	6.0%	(1.25)	(0.4%)
Bus Drivers	0%	0.0%	9.15	8.2%	(9.15)	(8.2%)
Food Service Workers	3.78	3.9%	4.29	3.9%	(0.51)	0.0%
All Other Reported Personnel	1.72	1.8%	6.86	6.2%	(5.14)	(4.4%)
Total FTE Reported per 1,000 Students	97.76	100.0%	111.42	100.0%	(13.66)	0.0%

Source: FY 2005-06 EMIS October Report for LLSD, peer districts, and interviews.

Note: Totals might vary slightly from actual due to rounding.

¹ Reflects updated FTE employees confirmed by the District and therefore, may not agree with EMIS data.

² Reflects unaudited FTE employees reported by peer districts through EMIS.

³ A per 1,000 student comparison enables a more accurate basis for analysis based on a FTE ratio.

⁴ A separate analysis for special education was performed to capture an overall staffing comparison specific to special needs students and complexity of laws and regulations. This level may appear higher than the average but yield no recommendations.

As illustrated in **Table 3-1**, LLSD's overall staffing is slightly below the peer districts on a per 1,000 student basis. Primary categories such as administrators, office staff, maintenance staff, and custodians are lower than the peer average. LLSD does not have bus drivers to report because it out-sources transportation to Petermann, Ltd, a student busing service. District staffing is significantly higher on a per 1,000 student basis when compared to the peer district average in the following categories:

- **Professional Staff:** The professional staff category includes approximately 2.5 more FTEs per 1,000 students than the peer average. This staff category contains a higher number of speech and language therapists and other specialized staff used to support of the District's children with special needs program. There are approximately 1,500 students with special needs at LLSD, compared to the peer district average of 543. Psychologists and registered nurses, two professional staff classifications that are higher than the peer average, are analyzed in the Education Service Personnel (ESP) assessment (See **R3.3**).
- **Technical Staff:** The technical staff category contains 6.7 more FTEs per 1,000 students than the peer average. The instructional paraprofessionals category shows a high number of FTEs. This category was assessed in the special education staffing analysis, since a majority of the FTEs reported in this category are used for special education support (See **R3.4**). The technology staff is analyzed in the **technology section** of this report. Other staff included in this category are building-based data collection personnel for the District.

In addition to **Table 3-1**, administrative, regular teaching, ESP personnel, special education teaching, non-teaching support, and clerical staff levels were further analyzed in comparison to statutory requirements or specific benchmarks where applicable. (See **assessments not yielding recommendations, noteworthy accomplishments, and R3.2 and R3.3.**)

Collective Bargaining Agreements

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

- **Lakota Education Association (LEA):** Certificated personnel are governed by the Master Agreement between the LEA and the Lakota Board of Education of the Lakota Local School District (the certificated contract). This bargaining unit is defined as all certificated employees who are under contract with the Board on a full-time or regular part-time (teacher/member) including any substitute teacher who has been employed in the same teaching position for sixty (60) continuous days. The duration of this agreement is September 1, 2005 through August 31, 2008.

- **Lakota School Support Association (LSSA):** Classified employees are governed by the Master Contract between the LSSA and the Lakota Board of Education (the classified contract). This bargaining unit includes systems support technicians, clerical personnel, custodians, maintenance personnel, secretaries, mechanics, data processors, instructional and non-instructional aides, and child nutrition employees. The duration of this agreement is September 24, 2004 through June 30, 2007.

Contractual and employment issues greatly affect the operating budget of a school district. As such, certain contractual and employment issues in the certificated and classified agreements of LLSD were compared to the peer districts for significant variances. The tables containing the comparisons are shown in **Appendix 3-B** and recommendations for contractual issues include **R3.7** regarding sick leave usage.

Noteworthy Accomplishments

During the course of the audit, several exemplary practices were identified, including the following:

Staffing

- **Regular Teaching Staff:** LLSD's FY 2005-06, regular teaching staff was 8.3 FTEs per 1,000 students below the peer district average. The large maximum class size provision in LLSD's certificated negotiated agreement has allowed the District to operate with a lower number of regular teaching staff (see **Table 3-3**). In order to provide additional academic support and help achieve its educational goals, LLSD uses teaching aides in classrooms that exceed the maximum class size. Lastly, LLSD's large class sizes and the low number of regular teaching staff have not negatively affected its student academic performance as the District met 22 of 23 performance indicators in FY 2004-05.
- **Clerical Staffing:** In FY 2005-06, LLSD employed fewer clerical staff than the peers based on a clerical staff to employee ratio. LLSD had 1 clerical FTE for every 18.7 employees versus the peer district average of 1 clerical staff for every 9.5 employees. In FY 2005-06, LLSD employed 5.30 clerical FTEs below the peer average per 1,000 students.

Insurance Benefit Packages

- **Health Care Cost Containment Practices:** LLSD is a member of the Butler County Health Plan (BCHP), a county insurance consortium⁵ primarily consisting of school districts. The

⁵ As part of the FY 2006-07 Biennial Budget, Amended Substitute House Bill (HB) 66, the Legislature sought to reduce costs and to lessen administrative burdens in the provision of school district health care benefits. As a result, the Legislature made numerous changes to Ohio Revised Code (ORC) § 9.833 and considered establishing a statewide health care plan. In order to

BCHP Board of Directors and Insurance Committee met and/or exceeded all GFOA recommended cost containment practices. These included developing methods to continually analyze and benchmark insurance costs, claims, and coverage amounts to provide the best available insurance coverage while containing insurance costs. As a result, the District's premium cost for its highest level of insurance benefits was 9 percent less for a family plan and 4 percent less for a single plan than the average annual cost of premiums reported by the 2005 Kaiser Family Foundation's Annual Insurance Survey. Many key factors contribute to this accomplishment, including:

- BCHP is a not for profit insurance consortium. The consortium consists of 14 entities, including LLSD, and has approximately 5,000 members. As a result, it is able to offer reduced healthcare costs based on a larger population in its insurance pool.
- BCHP assesses trends in employee health matters and compiles target areas in which to implement wellness programs. To gain support from the District, it offers a wellness grant to fund these programs. A study of its effectiveness is performed on an annual cost basis. This proactive approach to preventing illness helps reduce the rate of medical claims (i.e. hospital visits).
- Lastly, BCHP has established a focus on cost containment procedures as well as a partnership with the District to affect the reduction in insurance costs. BCHP uses its website, insurance information campaigns, and insurance newsletters to continually inform employees of all aspects of insurance costs, trends, and health matters. By focusing on health care education, BCHP is able to increase awareness of all healthcare aspects and inform how individual health matters or choices can greatly affect the costs of insurance.

Human Resource Management

- **Union Elementary School Staff Attendance Policies:** Of the 19 school buildings in the District, LLSD has one specific building that has created a notable practice in the area of staff attendance. Union Elementary School monitors staff attendance on a monthly basis through meetings with school staff and administrators. A fixed attendance target of 97.5

facilitate the establishment of this plan, a reference to "school districts" was deleted from the definition of "political subdivision," thus denying districts their existing right to establish self insurance programs or join other political subdivisions to form joint programs. However, the Legislature then decided to delay any action until a study commission could be established to examine the issue at length. In addition HB 66 (ORC § 611.03) provides that the amendments dealing with school district health care plans will not take effect until specifically enacted in future legislation. As a result, there has been some confusion among school districts regarding their current authority under HB 66. Due to the delayed effective dates of the amendments included in HB 66, school districts remain political subdivisions for the purposes of establishing health care consortiums and forming joint programs under ORC § 9.833.

percent has been set for all students and staff. Union Elementary has generally achieved positive results in meeting the fixed attendance target over the last three years. Regularly monitoring and reviewing staff attendance at each school building allows the building administrators to quickly and easily identify trends and problems with employee attendance.

- **Collective Bargaining Process:** LLSD uses an interest-based collective bargaining process to negotiate contracts. Interest-based bargaining uses consensus to develop priorities and resolve issues. Based on interviews with members of union and management bargaining teams, the process works well for the District. According to *Collective Bargaining Outlook for 2006: An Executive Briefing presented by Van D. Keating, Esq. and Renee L. Fambro, Esq.*, collective bargaining in Ohio school districts is becoming more confrontational and adversarial. Members of the LEA and LSSA report that key elements for a successful interest-based bargaining process include having trust and commitment between management and the union, offering training, having active labor management committees, and using consultants or mediators when necessary to facilitate the process.

Gifted Program

- **Gifted Participation and Monitoring:** LLSD meets best practice standards for maximizing participation and monitoring program effectiveness. LLSD is able to identify students more efficiently and effectively by having an established gifted plan that specifies procedures for the District to use when identifying students and the types of assessment instruments to use.
- **Gifted Funding and Resources:** LLSD has successfully obtained additional funding and resources to enhance its gifted program. During FY 2005-06, LLSD participated in ODE's federal Javits grant to establish professional development procedures for its gifted personnel. As a result, the District received \$7,000 in additional funding to support professional development for its gifted program teachers. Additionally, the District is involved with other departments external to LLSD to share resources to enhance its program which meets best practices identified by OPPAGA. The District's Gifted Coordinator is a member of the West Central Association for Gifted and Talented Children. Through this membership, LLSD has the ability to share gifted resources and gifted information as well as provide training to its gifted staff at a low cost to enhance program effectiveness. By doing so, the District is able to shift some of its State funding from professional development expenditures to direct gifted student support activities, such as paying for testing instruments and program materials.

Assessments not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on several areas within this section that did not warrant changes and did not yield any recommendations. These areas are discussed below:

Staffing

- **Administrative Staff:** Overall administrative staffing levels are comparable to the peer district averages. The District is 5 FTEs higher than the peer average on a per 1,000 student basis. This is due to its EMIS coding which includes its technology administrators with central-based administrators. This variance is attributed to a coding preference that differs between LLSD and the peer districts. LLSD has coded its technology administrators in the central administrative category whereas the peer districts may have supervisory positions for technology coded in the technology category.⁶ In addition, the District's site-based administrative staffing levels appear slightly higher by 1 FTE per 1,000 students. However, LLSD has larger buildings and student populations compared to the smaller scale of its peer districts. LLSD has staffed its site-based administrators in a reasonable manner to meet the needs of its individual school buildings.

Compensation

Administrative, Educational Staff, and Professional Staff Salaries: LLSD's average salaries in these categories are consistent with the peer district averages.

- **Supplemental Contracts:** LLSD's supplemental contract costs are 51 percent below the selected districts' average cost per student. The District's average extra-curricular activities costs per pupil (which includes supplemental contracts) were \$183 per student versus an average of \$356 for the peer districts.
- **Substitute Teacher Rates:** LLSD's substitute rates were below the county's average rate for substitute teachers. The District's minimum per diem rate for substitutes is \$75 compared to the County's average rate of \$78.21.

Insurance Benefit Package

- **Dental, Vision, and Life Insurance Premiums:** LLSD's premiums for dental, vision, and life insurance are equal to or below the SERB average cost for premiums. The District does not offer a Board-funded vision plan. The District's dental plan is \$65 per month, per member compared to the SERB average of \$66 per month, per member. Life insurance premium costs for the District are \$0.055 versus the SERB average cost of \$0.189 for every \$1,000 increment.

⁶ EMIS coding guidelines do not specify exact positions for some EMIS codes; therefore, there may be variances in coding between school districts when choosing which category to place administrative personnel. In consideration of the coding difference, District administrative staff for central administrators is comparable to the peer districts.

- **Workers' Compensation:** LLSA self-funds its workers' compensation insurance. The self-insurance fund has proven to be a cost-effective method for providing this required insurance. Prior to self-funding, the District had a BWC loss rating of 0.000334. As LLSA is self-funded, the BWC loss rating is not available; however, the cost analysis provided by the Treasurer shows the District saved approximately \$576,000 during FY 2005-06 by self-funding its program at a total cost of \$679,000. If LLSA were to participate in the State BWC Fund, it would have incurred BWC premium costs of \$1,650,000 for FY 2005-06.

Human Resource Management

- **Human Resources Management:** The District met best practice standards for human resources management for employee evaluation, employee certification, and employee communication. The District conducts formal evaluations that meet best practice criteria, including formal procedures for evaluations that are structured in a way that clearly informs employees of performance expectations. The District's evaluation process also identifies employee performance ratings and solicits employee feedback. The District has established a process to ensure that employee certification compliance requirements are met. LLSA has established an effective communication process to meet best practice indicators. District Board policies, contractual agreements, evaluation process, the certification and licensure handbook, and professional development information are on the District's website.

Climate Surveys and Work Environment

- **Climate Surveys:** The District conducts climate surveys and exit interviews to gauge the overall work environment. According to the Society for Human Resource Management (SHRM), employee satisfaction surveys should be conducted with all staff to reveal current employee thoughts on the general work environment. Results can be used to maximize employee performance and minimize turnover. AOS conducted a survey of all employees in the District and the results did not render additional comments. (See **Appendix 3-A**)

Board Roles and Responsibilities

- **Board Governance:** LLSA provides orientation for new Board members to acclimate them to the District and acquaint them with their roles and responsibilities. In addition, ongoing training is provided for all Board members. Board policies are also readily available to District staff and the public through the District's website.

Negotiated Agreements and the Collective Bargaining Process

- **Retirement Incentive:** The District does not have an early retirement incentive. However, the District does offer a retirement incentive in addition to an employee's regular severance pay. All retiring employees receive one-fourth of their first 200 days of accumulated but unused sick leave. If the employee elects to retire in the first year of eligibility with either 30 years experience (at any age), or with 5 years experience (at age 60), the District also offers a retirement incentive. The incentive is equal to an additional one-fourth, for a total of one-half of the employee's accumulated sick days over 200 (up to the maximum of 300), to be paid. This retirement incentive payout is available to both classified and certified staff, and is based on the employee's daily rate of pay at the time of retirement. The District provided a cost/benefit analysis of employee retirement for certificated employee and administrators. Potential savings for administrators was calculated to be approximately \$189,000 and for certificated staff was calculated at \$1.5 million. In FY 2005-06, 3 of the 14 employees who retired took advantage of this retirement incentive.

Special Education Program

- **Special Education Expenditures:** Instruction expenditures per special needs student were 11 percent below the peer average. During FY 2004-05, the District's average expenditure per special needs student was \$11,027, while the peer average was \$12,439.
- **Timely Assessment and Placement of Special Education Students:** LLSD meets best practice indicators and is compliant with ORC Individual Education Plan (IEP) procedures. The District follows the federal Individuals with Disabilities Education Act (IDEA) and the procedures set forth by ODE are developed annually and are assessed on a quarterly basis. The District has an intervention team that addresses student needs and assessments at the building level. Additionally, the program is assessed annually based on the results of proficiency standards.
- **Special Education Parental Involvement:** LLSD meets best practices pertaining to parental involvement in its special education program. The District has an Intervention Assistance Team (IAT) in each building. This team works with parents and monitors students in each program. Additionally, the District has a parent-mentor on staff dedicated to helping families with special needs children. This mentor provides a wide variety of support such as one-on-one support to parents, attending IEP meetings with parents, and networking with parents.
- **Special Education Plan:** LLSD meets ODE grant management requirements for a special education plan through its Comprehensive Continuous Improvement Plan (CCIP). LLSD's CCIP includes grant management requirements such as a planning overview, data collection and analysis, targeted resources and an improvement process for programs that are targeted

by the District such as special education, Title 1, and technology. The CCIP details planning, data analyses, processes, and resources specific to the District's special needs program.

- **Special Education Measurement:** LLSD's Local Report Card indicates that students with disabilities scored 64 percent for reading and 50.3 percent in mathematics compared to the federal goal of 63.2 percent and 51.2 percent respectively. The District met proficiency goals in reading, but was 0.9 percentage points below for mathematics. However, according to the Adequate Yearly Progress (AYP) requirement, districts must be at or above the annual goals or make improvements over the last year. According to LLSD's Local Report Card, the mathematics proficiency is indicated as met, signifying that the District has made improvement in this category over the previous year's rating.
- **Special Education Resources:** LLSD offers an in-house special education program to serve its students. LLSD uses outside resources as prescribed by IEPs when unable to serve students with in-house resources.
- **Accuracy of December Child Count:** LLSD proactively monitors its December Child Count Report to ensure it is an accurate reflection of its special needs student population. This count determines the amount of State funding the District will receive for its special education program. The Special Education Department and EMIS Department verify student counts by reconciling the student database to the December Child Count Report on EMIS.

At-Risk Programs

- **Identification Procedures for At Risk Program:** LLSD meets ODE requirements and best practices for identifying at risk students for its English Speakers of other Languages program (ESL) for Limited English Proficiency (LEP) students. LLSD identifies LEP students entering the District using enrollment forms to determine the student's background. Additionally, the District identifies LEP students based on parent, teacher, or other referrals to the program. A needs assessment is conducted to determine whether or not the student should be placed in the program. LLSD informs parents/guardians by letter when the child is identified as a student eligible for LEP services. The District's goal and written procedure is to inform parents with this letter within 20 days. ODE and No Child Left Behind (NCLB) guidelines allow 30 days.
- **At Risk Plan and Procedures:** LLSD met best practice indicators and ODE guidelines for its at risk program plan and procedures manual. The District has written procedures for the ESL program. This plan includes procedures for LEP student referral, assessment, identification, and placement. Procedures explain language proficiency domains, program models, and assessments of individual needs. The District's plan also includes goals to meet

timeliness guidelines for referring students, placing students in the program, testing, notifying parents, and reporting.

- **At Risk Resource Maximization:** LLSLD met best practice indicators by seeking additional alternatives to maximize resources through pooling and other agreements. During FY 2005-06, LLSLD joined with other districts in the County to form a consortium to develop ways to improve the ESL program and pool resources. The main objectives for this program are to share information and prepare a manual to serve as a guideline to enhance the program.

Gifted Program

- **Gifted Funding Maximization:** LLSLD meets best practice criteria in maximizing state resources. LLSLD has received two types of State funding for its gifted program: gifted funding units (teacher salary) and supplemental gifted funds set aside by the State legislature. Although the funding does not pay for 100 percent of the program, there are certain requirements the District must follow in order to be eligible to receive this funding. LLSLD is aware of the requirements and takes steps to ensure the District is properly reporting teachers to achieve the maximum units and correctly reporting its supplemental gifted expenditures. The District has reported all eligible teachers in order to receive its gifted funding units, which are based on average daily membership (ADM). The District contracts with the Warren County ESC (WCESC) for its gifted coordinator position. Therefore, the funding units are received by the WCESC instead of the District.
- **Gifted Plan:** LLSLD has developed a gifted program plan that meets National Association for Gifted Children (NAGC) indicators. The indicators include establishing needs assessments, defining the gifted population, and implementing procedures for identifying students, creating program goals, and having an appropriate program organization and format. Additionally, the plan meets ORC § 3324.04, which prescribes specific plan provisions including descriptions of assessment instruments, acceptable scheduling procedures, parental notification, and commitment to accept out-of-district assessment instruments.

Recommendations

Staffing

- R3.1 LLS D should develop a formal staffing plan to address current and future certificated and classified staffing needs for the District. The District should consider establishing staffing allocations for all personnel, including administrative, certificated, and classified staff based on enrollment projections to help ensure compliance with State and federal requirements. Also, the plan should illustrate how staff and the related costs will impact the District's financial condition.**

LLSD does not have a formalized staffing plan that addresses all District personnel. Instead, LLS D has a staffing plan for its support staff including instructional aides, secretaries, custodial staff, child nutrition staff, and other staff categories. The District's plan includes classified staff allocations required by law or regulations and has been ongoing since 2004. However, it does not formally address certificated instructional and administrative staff, or other classified staff allocations.

Tulsa Public Schools (TPS) has established an approach for developing a staffing plan that is recognized as a best practice and has been replicated in other districts. TPS's staffing plan incorporates staff allocation factors such as state and federal regulations, workload measures, and industry benchmarks, as well as staffing levels determined by its administration. TPS also benchmarks staffing based on General Fund revenues to help maintain a balanced budget. The plan is used as a guide to determine staffing levels on an annual basis, as well as at mid-year. It is also used to determine if staffing levels need to be modified based on actual ADM.

In order to ensure efficient and effective staffing levels, TPS has developed staffing formulas in the plan that include state and federal regulations, industry benchmarks and ADM to calculate projected staff levels. These formulas are used to help the District identify overages or shortages in each staffing category and in some cases, staff needed per building. TPS does not negotiate class size or its annual staffing plan as a part of the collective bargaining agreement.

LLSD relies on a staffing plan which only addresses support staff. Therefore, it may not be staffed in an efficient and effective manner that is conducive to achieving its academic mission even though it meets legal and budgetary requirements.⁷

⁷ ORC § 5705.41 states "no school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate, signed as required by this section, that the school district has in effect the authorization to levy taxes including the renewal or

Minimum staffing levels for classroom teachers, educational service personnel (ESP), and principals, as well as instructors and aides involved in the delivery of services for students with special needs, are governed by OAC § 3301-35-05 and OAC § 3301-51-09. These required levels should be included in the staffing plan. Additionally, without a formal staffing plan that incorporates required staffing levels and District established staff goals and benchmarks, LLSD does not have an effective means by which to ensure it allocates staff appropriately to meet its academic and fiscal needs.

As commonly found in school districts, LLSD's salaries and benefits comprised a major portion of total General Fund expenditures -- approximately 78.5 percent. As a result, the District must be particularly cognizant of any issues affecting staffing, salaries, and benefits. Establishing a formal staffing plan will assist LLSD in making sound personnel decisions based on academic priorities, federal and State requirements, and available resources. Understanding the minimum personnel resources required to meet District operational and educational goals and benchmarks is particularly critical in lean budgetary times. If LLSD implements a staffing plan and updates the plan on an annual and mid-year basis, it will be better prepared to make staffing changes in response to financial and operational constraints. Likewise, it will help the District respond to the rapid student enrollment growth in a more standardized fashion.

R3.2 If faced with financial constraints in the future, LLSD could consider reducing 13 FTEs staff in the Education Service Personnel (ESP) category. This would result in a staffing level comparable to the peer district average and still allow the District to maintain ESP staffing at a level above State minimum standards. Because of the rapid student enrollment growth, LLSD should monitor ESP staffing levels based on the per 1,000 student benchmark and incorporate the desired level of ESP staffing in its staffing plan.

Table 3-2 compares LLSD's ESP staffing levels to the peer district average on an FTE per 1,000 student basis. The analysis also includes a comparison of the District's ESP staffing level to State minimum requirements. Staff included in this category are defined by OAC § 3301-35-05 and include but are not limited to music, art and physical education teachers, counselors, and various other personnel.

replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in its adopted school calendars for the current fiscal year and for a number of days in succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year." In addition, ORC § 5705.412 shall be based on the certification of the District's five year projection.

Table 3-2 ESP Staffing Analysis

Category	LLSD ¹	Peer District Average	Variance
ESP Teachers	71.8	19.5	52.3
Counselors	30.6	9.3	21.3
Librarians/Media Specialists	13.5	2.9	10.6
School Nurses	14.5	1.9	12.6
Social Workers	2.0	0.3	1.7
Visiting Teachers	2.0	0.0	2.0
Total ESP² FTEs	134.4	33.9	100.5
ADM Student Population	16,584	4,646	11,938
Total ESP per 1,000 Regular Students ³	8.1	7.3	0.8
Total ESP Above/(Below) Peer Average			13.3⁴
Comparison to State Minimum Requirements			
Total Education Service Personnel (ESP)	134.4	N/A	N/A
State Minimum Required ESP ⁵	82.9	N/A	N/A
ESP Above State Minimum Requirement	51.5	N/A	N/A

Source: LLSD, interviews and FY 2005-06 EMIS data as reported to ODE. LLSD data was verified; peer data was examined for reasonableness but is unaudited.

¹ FTE employees may have been adjusted based on interviews and therefore not match numbers reported in the Education Management Information System (EMIS).

² ESP teachers include K-8 art, music, and physical education teachers.

³ ESP ratios are calculated by multiplying the difference per 1,000 regular students by the district's regular student population.

⁴ This represents the number of FTE employees that if subtracted would bring the number of employees per 1,000 students in line with comparable districts.

⁵ Minimum required ESP staffing is defined by OAC § 3301-35-05(A) (4) and is calculated by dividing the regular student population by 1,000 and multiplying the result by 5.

As shown in **Table 3-2**, LLSD had a higher level of staff per 1,000 students than the peer average in every ESP category displayed. LLSD has a total of 13.3 more ESP staff than the peers when evaluated on a per 1,000 student basis. In comparison to State minimum standard staffing levels, as outlined in OAC § 3301-35-05(A)(4), LLSD's ESP staffing level of 134.4 FTEs was approximately 62 percent higher than the State minimum requirement of 82.9 FTEs based on 5 ESP FTEs per 1,000 regular students.

By reducing 13 ESP FTEs and monitoring the level of ESP staffing in comparison to the per 1,000 students benchmark, LLSD could bring its ESP staffing in line with the peer district average, while maintaining a higher level than that required by the State minimum standard. In addition, the District should monitor the academic impact of any reductions. This variance in ESP teaching staff represents an opportunity for the District to reduce staff and recognize significant cost savings in salaries and benefits. The District could effectively staff its ESP classification by including statutory guidelines and District staffing goals for this category of personnel in its staffing plan (**See R3.1**).

Financial Implication: If LLSD reduced 13 ESP FTEs to reach a level commensurate with the peer average as reported in EMIS, it would save approximately \$973,000 annually based on an average salary of \$57,156 for ESP teachers plus benefits equivalent to approximately 31 percent.

- R3.3 LLSD could reduce special education instructional staff by 12 FTEs while maintaining staffing levels at 20 percent above both OAC § 3301-51-09 guidelines and the peer district average. However, LLSD should work with ODE’s Office of Exceptional Children to ensure the District has optimum staffing levels allocated to its special education program to meet compliance requirements and ensure the achievement of adequate yearly progress goals. Additionally, LLSD should examine the costs and benefits of its high staffing level in instructional paraprofessionals which are used to support the special education program. The District could reduce its paraprofessional staff while maintaining a staffing level above the peer district average.**

LLSD’s special education program has a higher staff level when compared to the peer districts. LLSD had 1,286 special needs students enrolled in FY 2005-06, all of whom require specific staff-time allocations to meet special education goals according to disability type, IEPs, and OAC guidelines. LLSD has 74.4 FTE special education teachers and 55 supplemental service teachers dedicated to the special education program.

There are two staff categories that represent an opportunity to examine staffing levels: special education instruction and instructional paraprofessionals. Due to varying methods of categorization, the following analyses are presented to illustrate the overall impact of LLSD’s special education staffing.

The first comparison, displayed in **Table 3-3**, shows OAC § 3301-51-09 required special education teaching ratios by category, LLSD’s special needs students by category, and the resulting FTEs needed to satisfy the respective OAC required staffing level for each category.

Table 3-3: OAC Suggested Staffing Ratios by Special Needs Category

Category of Disability	Teaching Ratios Required by OAC & ODE	LLSD Students per Category	FTEs Required by OAC & ODE
Cognitive Disabilities			
Elementary, Middle, Junior High Level	1:16	94	5.9
Senior High School Level	1:24	64	2.7
Specific Learning Disability			
Elementary, Middle, Junior High Level	1:16	330	20.6
Senior High School Level	1:24	173	7.2
Hearing, Visual, Orthopedic and/or Other Health Impairments	1:10	196	20
Emotional Disturbances	1:12	65	5.4
Multiple Disabilities	1:08	68	8.5
Autism, Deaf-blindness, and/or Traumatic Brain Injury	1:06	90	15.0
Preschool	1:16	206	12.9
Total		1,286¹	97.8

Source: OAC § 3301-51-09 suggested ratios and LLSD's December Child Count Report from EMIS for FY 2005-05.

¹ This total does not include speech and language impaired students. The total December Child Count reports a grand total of 1,500 students with special needs.

As shown in **Table 3-3**, OAC § 3301-51-09 requires LLSD to staff a minimum of 97.8 special instruction teachers. In FY 2004-05, LLSD had a special needs staffing level of 129.4, a level 32 percent higher the OAC requirements.

Additionally, LLSD employs approximately 1 instructor for every 10 students compared to the peer average of 1 instructor for every 16 students. This difference may allow the District to try staffing at a higher student to teacher ratio to be more in line with the peer average ratio.

As the District has 11.5 students per FTE, LLSD may be able to streamline its paraprofessional staffing. The additional instructional support provided by paraprofessionals lowers the District's student-to-special education instructor ratio. LLSD's staff (including special education instructors and instructional paraprofessionals) to special education student ratio is approximately 1:5.

LLSD's lower student-to-instructor ratio provides an opportunity for the District to examine the efficiency of its special education program staffing. The District should consider stakeholder and community expectations in determining the appropriateness of

staffing levels within the special education program. Additionally, the District should consider the academic requirements for special needs students, such as adequate yearly progress, when making staffing decisions. By seeking guidance from the Office of Exceptional Children, LLSD can ensure it has allocated a sufficient level of staff to meet community expectations and compliance requirements. Additionally, a formal staffing plan addressing statutory requirements and District-established special education staffing goals can serve as a guideline. (See **R3.1**)

Financial Implication: LLSD has the potential to reduce special education personnel costs by working with the Office of Exceptional Children to determine optimum staffing levels needed to effectively and efficiently operate its special needs program. If the District could reduce special instruction staff ratios to 20 percent above the OAC minimum requirements, a reduction of 12 FTEs, the District could avoid personnel costs of approximately \$829,000 based on FY 2004-05 average special instruction teacher salaries of \$52,412 plus a 31 percent benefit ratio.

Compensation

R3.4 LLSD should consider working with its bargaining units to slow the rate of salary increases for the classified staff. In order to be comparable to the peer district average, LLSD should seek to reduce COLA increases for its classified staff by 2 percent. By reducing COLA increases, the District could reduce its payroll expenditures while maintaining regular step increases in the salary schedules.

Table 3-4 shows LLSD's salaries compared to the county district average and the peer district average. County and peer district salary data was self-reported and is unaudited. Years of service, cost of living allowances (COLAs), step increases, and in some cases, the education level attained by the personnel within a category all directly impact average salaries. The District is comparable to peer district averages in each category except its classified staff. The average salaries for classified staff are 9.7 percent higher than the peer district average. Furthermore, classified salaries are 25 percent higher than county average classified salaries.

Table 3-4 LLSA Average Salary Comparison

	LLSD Average Salary	Projected County Average Salary ^{3,4}	Peer District Average Salary	Variance from County Average Salary ¹	Variance from Peer Average Salary ¹
Administrators:	\$79,406	\$74,553	\$76,393	7%	3.9%
Educational Staff:	\$53,317	\$50,789	\$53,195	5%	(0.6%)
Professional Staff:	\$52,928	\$48,821	\$53,195	8%	(0.5%)
Total Classified Staff:²	\$29,054	\$23,165	\$26,473	25%	9.7%
Total Average Reported Salary	\$53,676	\$49,332	\$52,314	9%	2.4%

Source: LLSA 2005-06 EMIS Report, Peer Districts 2005-06 EMIS Reports, and ODE 2004-05 County Salaries Report

¹ Calculated difference by taking the difference in the average salary reported by LLSA and the peer/county districts.

² Classified includes Technical, Office, Maintenance, and Service Worker. The District contracts out its bus service, therefore there are no salaries reported.

³ The ODE average salaries report reflect 2004-05 reported salaries for each respective county. In order to present a fair analysis, regular school district salaries are inflated assuming a 3 percent increase to project salaries for 2005-06. Regular Districts in the county include: Edgewood CSD, Fairfield CSD, Hamilton CSD, Middletown CSD, Talawanda CSD, Madison LSD, New Miami LSD, Ross LSD, and Monroe LSD.

As shown in **Table 3-4**, LLSA has uniformly higher salaries than the county average. LLSA is in line with or slightly above the peer average salaries for its administrative, educational, and professional staff. Overall, the District is above the peer district average by 2.4 percent. However, based on the comparison, classified staff salaries are higher than peer districts by 9.7 percent. Additionally, classified staff salaries are 25 percent higher than the comparable county average.

In order to be more in line with the peer district average, LLSA could limit the amount of COLA increases to mitigate the differences in salaries over time. According to the classified contract, the COLA increases have been 1.7 to 3.3 percent and the classified step increases have averaged 1.2 percent. Within the classified staff category, the District's clerical, maintenance, and service worker salaries ranked the highest. These salaries ranged from 18.6 to 21 percent higher than the peer average. However, technical staff average salaries were 20.1 percent below the peer average. Each percent of COLA increase costs LLSA approximately \$116,000 based on 2005-06 total annual classified salaries reported in EMIS.

Financial Implication: If LLSA reduces its COLA increases by 2 percent to become more in line with peer district averages (based on unaudited salary data from the peers), the District could avoid salary costs of \$116,000 for each 1 percent reduction for a total of \$232,000 in COLA increases for classified personnel annually based on FY 2005-06 total classified salaries.

R3.5 LLSD should consider eliminating the practice of picking up a percentage of employee contributions for its administrative staff and constrain this benefit to its top administrators only.

LLSD has elected to pay for a percentage of the employee's portion of retirement contribution for 65 administrative staff members. During FY 2005-06, the District paid an average of \$5,000 per administrator for the employee's portion of retirement in addition to the respective base salaries, for an estimated total additional cost of \$335,000. The pick up is an additional cost to the District and is not included in the average salaries reported in EMIS.

EMIS reported administrative average salaries are 3.9 percent higher than the peer average and 5 percent higher than the county average. However, the comparison does not include the pick up amount for the District or its peers. If the average salaries included the pick up cost, the District's average variance from the peer district average would increase from 3.9 percent to 11 percent and the variance from the county average would increase from 5 percent to 16 percent. Peer district and the county average pick up amounts were not included in the analysis but inclusion of this data might mitigate a portion of the disparity between LLSD, peer, and county administrators' salaries.

By limiting its pick-up to its top administrators, the District could avoid additional administrative salary costs while offering administrative salaries slightly above the peer and county averages.

Insurance Benefit Packages

R3.6 The District should work with its collective bargaining units to negotiate an increase in the employee contribution for health insurance from 10 percent to the Kaiser benchmark average of 15 percent. Additionally, during the next contract negotiations, the District should consider discontinuing the contract provision that provides 100 percent Board contribution rate for family coverage for married couples who are both employees of the District.

LLSD's employee contributions to health care insurance premiums are set at 10 percent in the certificated and classified contracts. In addition to the 10 percent employee's contribution rate, LLSD pays 100 percent of the family employee health premium if both individuals are District employees or 100 percent of employee plus one (either spouse or dependent). Employee contribution stipulations are negotiated provisions of LLSD's classified and certificated contracts and should be addressed during the contract negotiations. The employee contributions are effective for the duration of the bargaining agreements.

Although the District requires a 10 percent employee contribution which is significant, the contribution is below the benchmark average of 15 percent reported by the 2005 Kaiser Family Foundation Annual Survey. This represents an opportunity for LLSD to control increases in the cost of health insurance; however, any increase to contributions would require negotiations.

Financial Implication: If the District were to raise the employee health insurance contribution to the benchmark average of 15 percent, LLSD could save approximately \$71,000 annually for current contributing employees, based on the difference between the total amount contributed by the employees and amount it would cost employees under the 15 percent contribution requirement. Additionally, the District could save \$80,000 if LLSD renegotiated its contract language and required married couples who both work in the district to contribute the same amount.

Negotiated Agreements and the Collective Bargaining Process

R3.7 LLSD should strive to reduce sick leave use by implementing District-wide targets for staff attendance, and regularly tracking and monitoring sick leave use by employees. LLSD could enhance practices for sick leave monitoring by expanding to all school buildings those practices already in use at Union Elementary School. If the District successfully reduced sick leave use, it would also reduce administrative time used in locating substitutes, enhance the quality of communication by eliminating interruptions in the delivery of curriculum, and reduce overall substitute costs.

In addition, the District should consider implementing a sick leave incentive policy for eligible classified and certificated employees to provide an incentive to staff to accumulate sick leave hours instead of using them. A sick leave incentive allows employees to convert a specific amount of accrued, unused sick leave for a cash payout.

Sick leave use is high at LLSD when compared to the Ohio Department of Administrative Services (DAS) average.⁸ In comparison to the DAS average of 6.4 days for certified and 7.22 for classified staff, LLSD is higher by 1.69 days for certificated staff and 1.63 days for classified staff. The Employee Relations Director indicated that excessive use of sick leave has been a problem for classified support staff. The District included more detailed sick leave policies in the classified contract when it was ratified in 2004 to address high sick leave use. The amended policies require that sick leave and attendance be monitored, and state that an employee can be placed on probation if sick

⁸ LLSD and DAS sick leave is presented as unaudited data.

leave use and absenteeism are a continual problem. The policies identify the following as red flags for classified employees:

- A disproportionate number of absences on Monday or Friday;
- A disproportionate number of absences in any combination of sick leave, personal leave or compensatory time;
- A continuous pattern of exhausted accumulated sick leave, personal leave or compensatory time; and/or
- Use of the following number of sick leave days in a contract year: a) 8 days for 260 day contract employee, b) 7 days for 239 day contract employee, and c) 6 days for all other contract employees.

In FY 2003-04, LLSD incurred temporary substitute costs of approximately \$1,190,000. The District reduced these expenditures 33 percent in FY 2004-05 and by 68 percent as of June 16, 2006. LLSD accomplished the reduction in expenditures by adding sick leave policy language to the classified contract that provides detailed steps to follow if an employee has high sick leave use or might be abusing sick leave. LLSD has developed additional policies on certificated substitute usage to assist in monitoring absenteeism and the use of substitutes at school buildings.

Although LLSD developed more detailed classified sick leave policies, it does not have a formal District-wide sick leave policy. However, one building, Union Elementary School, has successfully implemented a policy that requires attendance reviews of all building personnel and monitors staff attendance on a monthly basis (See *noteworthy accomplishments*). Staff attendance is discussed and reviewed in regular monthly meetings with school staff and administrators. As a business practice, a target of 97.5 percent attendance has been set for all Union Elementary School students and staff. The logic for this target is that a goal should never be set for students that would not also apply to staff.

Best practices developed by the University of Saskatoon in Saskatchewan, Canada, (*Role of Managers/Supervisor in Absenteeism Management, 2004*) suggest that in order to effectively manage sick leave abuse, organizations should:

- Conduct effective and accurate absence tracking;
- Address absenteeism as a department issue;
- Identify employees with high absence records;
- Identify reasons for absences; and
- Conduct goal directed interviewing with employees who have a high rate of absences.

Another strategy for reducing sick leave use is a sick leave incentive program. Incentives can influence employees to reduce the amount of sick leave taken throughout the year. Options for incentives include the following:

- Accumulated but unused personal days/sick leave can be converted to compensation at the employee's per diem rate of pay;
- Unused sick leave can be credited at a reduced or compounded rate; and
- Unused sick leave may be credited and a wellness incentive paid to the employee.

Offering a sick leave incentive could be beneficial to the District, resulting in savings on substitute costs and loss of labor. However, LLSD should monitor the incentive to ensure that it remains beneficial to the District.

Financial Implication: Reducing the amount of leave taken by 1.69 days per certificated FTE employee would bring the District back in line with the DAS State average. If the number of leave days per certificated employee were reduced to meet the DAS State average of 6.4 days, the potential savings to the District would be approximately \$147,000 annually in substitute costs. This figure assumes that all certificated employees taking leave would require a substitute for that leave period.

Human Resource Management

R3.8 LLSD should review and update the District's job descriptions to reflect changes in duties and ensure that job descriptions continue to reflect the relevant knowledge, skills, and abilities required to perform the job functions. The current job descriptions could be reviewed annually, as part of the employee performance evaluation process. LLSD used the National Education Association's (NEA) Results-Oriented Job Description Process as a model to revise classified job descriptions, and should do so for certified job descriptions as well.

LLSD is in the process of revising all District job descriptions. It has completed a majority of the revisions for classified staff, but has not addressed certificated job descriptions. LLSD is basing its revisions on the National Education Association's (NEA) *Results-Oriented Job Description Process*. In using this process the NEA recommends involving the following five steps or components:

- List tasks;
- Define essential responsibilities;
- Identify job purpose;
- Identify job title; and
- Identify name of category.

Challenges to the process include the amount of time it takes to revise job descriptions, maintaining the involvement and commitment of participants and committees, and maintaining trust between the union and administration. The Employee Relations Director indicated that job tasks for each employee should be connected to the District's mission and vision. This connection would allow employees to understand how their work contributes to the mission of the organization as a whole.

Maintaining up-to-date job descriptions is important because job descriptions promote effective human resource management in the following ways:

- Clarify duties and define relationships between individuals and departments;
- Help the jobholder understand the relative importance of tasks and level of accountability;
- Provide information about the knowledge, training, education, and skills needed for a job;
- Help minimize conflicts and improve communications by telling employees what they need to know about the job;
- Help management analyze and improve the organizational structure and resource allocation; and
- Provide information in a completely objective manner.

Accurate job descriptions also provide a basis for performance evaluation, wage and salary surveys, and an equitable wage and salary structure. A job description is a written statement that specifies the requirements, responsibilities and working conditions of a particular job. Job descriptions should clarify responsibilities within the District, define relationships among individuals/departments, and foster communication. Specifically, job descriptions should include the following:

- Job qualifications to permit boards to manage personnel based on qualifications, as well as aid in a district's efforts to tailor employment and pre-employment tests;
- Job responsibilities to help with the evaluation of the employee, as well as provide a basis for determining compensation;
- Essential functions, particularly in light of the Americans with Disabilities Act, since these functions facilitate employers' knowledge of which functions the employee must be able to perform with or without reasonable accommodation;
- Classification of positions as exempt or nonexempt to satisfy the Fair Labor Standards Act; and

- Working conditions to inform employees and help identify possible violations of a Public Employee Risk Reduction Advisory Act standard. This standard is Ohio's version of the federal Occupational Health and Safety Act (OSHA) and is designed to reduce the risk of death and physical harm to employees.

The requirements and criteria for most jobs change over time, albeit incrementally. As a result, developing and maintaining job descriptions can be a very time consuming process that requires constant revision. It is important to devote adequate resources to make the process a success. The District should use the criteria listed above to revise and update all employee job descriptions. The job descriptions should then be reviewed annually and maintained in an electronic format so that they can be updated easily. Without up-to-date job descriptions, the District may not be able to clearly and effectively communicate the expectations of job performance to its employees and job candidates.

R3.9 LLSD should ensure its human resource policies and employee handbooks are up-to-date and meet best practice standards. Updating human resource material ensures that it reflects changes to regulations, collective bargaining agreements, and other relevant procedures. Updating policies and employee handbooks regularly also promotes consistency, continuity, and understanding within an organization and fosters communication with the staff.

Although the District has developed human resource policies that are available online, some of the material is not up-to-date. LLSD is in the process of updating its classified handbooks. However, the District's *Teacher Certificate and License Renewal Handbook* is dated FY 2000-01 and the *Entry Year Teacher Manual* is dated FY 2001-02. If human resource policies and manuals are not updated regularly, recent changes to regulations, collective bargaining agreements, or other procedures may not be captured and communicated. Board policies, negotiated agreements, the evaluation process, the *Teacher Certificate and License Renewal Handbook*, and professional development information are available on the LLSD website. In addition, LLSD has policies online that describe processes critical to District operations including, but not limited to the following:

- Staff selection (i.e. background checks);
- Drug and alcohol abuse;
- Equal opportunity;
- Employee assistance programs;
- Records management;
- District safety; and
- Grievance procedures.

According to best practices catalogued by OPPAGA, school districts should have policies and procedures for items such as drug and alcohol abuse, equal opportunity, employee assistance programs, records management and other human resource functions. Human resource policies should be reviewed periodically to ensure consistency with legislation, collective agreements and human resource best practices. Policies should be updated online and departments should be notified of updates and changes through the human resources department.

While the outdated policies may be attributed to LLSD working to keep pace with rapid enrollment growth, annual review of critical procedures is essential for a district of its size. Without up-to-date policies, LLSD may not be communicating vital information to its employees or keeping employees apprised of changes in procedures. Regular updates and annual reviews of policies could be implemented by LLSD at no additional cost.

R3.10 LLSD should reconvene its Recruitment Committee and use the Committee to develop a recruitment plan. The Plan should include specific targets, performance measures, and timelines. The information should then be used to evaluate the progress and effectiveness of the District's recruitment programs. The HR Department should evaluate recruitment according to District-established goals and outcomes, and develop strategies to remedy any shortfalls in qualified applicants.

The HR Department has not developed a comprehensive recruitment plan. The Recruitment Committee worked on a formal, written recruitment and retention plan in 2001. However, due to funding constraints, the District has not actively recruited staff during a period of District growth, resulting in increased class sizes. The HR Department indicated hiring needs must be evaluated since the District is going to open two new school buildings in August 2007. A recruitment plan was not a priority, however, because staff has been relatively stable. Without a recruitment plan, LLSD may not be able to adequately anticipate future staffing needs based on changes in student population and use of facilities. The District has used recruitment techniques like job fairs, newspaper ads, and financial incentives on a limited basis.

According to OPPAGA, a recruitment plan should:

- Establish goals and objectives for recruiting in all certification areas;
- Determine recruiting and hiring needs in special education and hard-to-fill school assignments;
- Analyze costs and establish benchmarks and timelines for hiring;
- Determine the desired results for each of the recruiting target areas;
- Establish benchmarks and timelines to assess progress in each of the recruitment target areas;

- Report to the Board at agreed upon intervals during the hiring season progress towards meeting recruiting targets;
- Assess the outcome of targeted recruiting and make improvements based on feedback from schools relating to recruiting effectiveness; and
- Modify targets and strategies as necessary for improvement.

Developing a recruitment plan would help ensure that LLSD hires staff that will meet its future needs. A recruitment plan would enhance the effectiveness of a formalized staffing plan for the District and ensure that the staffing plan is fulfilled with the best candidates. (See also **R3.1**).

R3.11 LLSD should implement District-wide professional development plans that are based on a staff needs assessment for competencies and skills and is linked to the District’s long-term plan. Developing a plan based on a needs assessment helps identify professional development strategies appropriate to help educators, administrators and staff meet student learning, administrative and support needs. In addition, the District should annually evaluate the professional development program to determine its effectiveness.

LLSD has developed professional development programs to help teachers address student learning needs (such as literacy) and staff development needs that include certification. However, the District has not fully developed a District-wide plan that includes a needs assessment for staff professional development. The District’s Comprehensive Continuous Improvement Plan (CCIP) mentions professional development in the context that administrators, staff and teachers should receive high quality professional development linked to various outcomes, such as student achievement. However, there are no specific professional development programs to meet this goal. In addition, the status of developing high quality professional development programs at LLSD is listed as incomplete in the District’s CCIP.

LLSD has implemented a variety of professional development programs to address staff learning needs. LLSD’s existing professional development programs are funded through a combination of sources that include tuition reimbursement to pay for individual professional development plans (IPDP), a Teacher Development Fund which earmarks funds for building-centered professional development, and additional grants. A summary of LLSD’s professional development programs includes the following:

For all staff:

- **Orientation program for staff:** District classified and certificated staff attends an orientation that covers new hire information, including insurance, evaluation, technology, and mentoring.

For certificated staff:

- **Mentoring program for teachers:** The District has implemented an entry level teacher mentor program where new hires are assigned mentors to provide consulting in classroom management, understanding of courses of study, parent communication and other critical activities.
- **Staff development plans for teachers:** IPDPs are developed for teachers to track their progress in meeting certification requirements and professional development goals.
- **Building level professional development programs:** The District has developed building-centered professional development programs on various topics such as literacy, math, and science to address student needs. These programs include the Vision Initiative Excellence Wisdom (VIEW) program on literacy for grades k-8, a partnership with Columbia University for literacy training, and the High Aims program focused on math and science.

For administrators:

- **Professional development program for administrators:** LLSD uses the Hamilton County ESC mentors to train entry-level principals on leadership.

For classified staff:

- **Transportation:** Lakota LSD bus drivers attend basic training sessions on defensive driving and pupil management and safety. Continuing education is also provided to all bus drivers and mechanics.
- **Maintenance/Custodians:** Maintenance staff attends training sessions to maintain licensures which are reimbursed by the District. Custodial staff attends training sessions which are usually held in the summer when school is out. June training sessions are an opportunity for the Facilities Services Supervisor to obtain feedback from staff on major issues. The August training session consists mainly of a required yearly refresher on fire extinguisher use (conducted by the fire department) and blood

borne pathogen safety (conducted by the health department). At this same training session, the Facility Services Supervisor introduces any new policies, procedures, or equipment and chemicals which will be used during the upcoming year.

- **Clerical/Secretarial:** Secretarial and clerical staff attend orientation sessions and receive on-the-job training to learn job responsibilities.

A 1999 study conducted by *North Central Regional Educational Laboratory* (NCREL), a federally funded resource center, states that award winning districts started by developing a professional development plan and then aligning educational and professional development goals. Educational goals are driven by a variety of factors, including state or national standards, current achievement of students, and the educational vision of the school district. Professional development goals are driven by gaps between educational goals and actual student learning, the skills staff members need to close that gap, and current staff skill level. As a component of the professional development plan, a needs assessment process should be developed to identify skills and competencies needed to bridge the gap between student and staff performance.

Implementing a professional development plan should further develop teacher, administrator and support staff skills and competencies needed to meet the long range goals stated in the District's CCIP.

R3.12 LLSD should formally track and monitor employee turnover. The District should analyze the results of exit interviews for employees who voluntarily leave the District. Formally tracking and monitoring employee turnover would allow LLSD to identify problems and trends in turnover, and better develop strategies for employee retention.

The District does not formally track or monitor employee turnover nor does it maintain lists of reasons why employees leave the District. The HR Director indicated that there are no major issues with recruiting and retaining qualified teachers and staff and that employee turnover was more of a problem in the past when the District experienced financial difficulties. In interviews with classified staff, turnover was not identified as a major problem. Strategies LLSD has implemented to retain qualified employees include developing an employee mentoring program and encouraging a climate of support for new teachers and staff. According to the HR Director, the District has developed a pool of highly qualified teachers to obtain better candidates when hiring new staff. The District also has financial incentives to attract qualified candidates that include tuition reimbursement and competitive salary rates. The District conducted a climate survey and exit interviews in FY 2003-04 -- the results could be used by LLSD to identify weakness in the District's retention process. (See also **R3.11**)

In *Understanding Employee Turnover* (A Small Business Toolkit, August 1998), the following methods are recommended to track employee turnover:

- **Maintain a list or file of employees who leave.** Include the length of time that the employee worked for the organization, the position that the employee held, and the reason that the employee left (information could be generated from an exit interview).
- **Identify trends in turnover.** Determine if there are positions that the organization has trouble keeping filled and if employees tend to stay for the same length of time before they leave the organization's employ. Also determine if employees seem to be leaving for similar reasons (like receiving more pay or a more responsible position).
- **Remedy or prevent any identified problems.** If possible, redesign a job by adding more attractive duties and reassigning some less desirable ones.
- **Examine the working conditions closely.** Ensure that employees are not being asked to meet unreasonable demands or deadlines, or to work with the most difficult customers or employees.

By tracking employee turnover, the District can better identify potential weaknesses in its employee relations practices. Disregarding weaknesses could cause employee dissatisfaction or negatively impact the District's ability to recruit qualified candidates.

Human Resources Information System

R3.13 LLSD should use its human resource module (module), SunGard Pentamation (Pentamation), to its fullest capacity. To further enhance the use of its human resources information system, the District should consider purchasing the employee application module. The HR Department, with assistance from the IT Department, should work in conjunction with the Treasurer's Office to ensure all Pentamation functions are used. This will help the HR Department streamline communication while providing full coverage HR services. Additionally, all HR Department staff should receive training on the module to reduce duplicative or manual data entry.

The human resources module included in the Pentamation application is not fully used by LLSD. The module was implemented in the summer of 2005 and contains payroll, applicant tracking, and some personnel functions. The HR Department manually enters employee information such as degrees, certifications, application information (e.g., start date), position, separation date, seniority and nominations, contract information, experience, supplemental contracts, status sheet information (salaries) and additional

information into this module. The Treasurer's Office uses the human resources status sheet information from the module when placing an employee on active pay status.

The Treasurer's Office and HR Department have indicated that human resources staff has not received sufficient training on how to properly operate the module. The following issues were identified regarding the use of the human resources module:

- **LLSD does not own the Pentamation new employee application (application) module.** The HR Department has in-house software on the Internet that collects application data, but does not have a direct interface with Pentamation. The in-house software only tracks basic information, such as position, previous job, and demographics. The Treasurer indicated the District would like the system to allow for a resume attachment and to track more information about a new hire's previous work experience to determine qualifications. The module would be beneficial to the HR Department because staff would not have to re-enter application data into Pentamation from the in-house software. The Information Technology (IT) Director stated that purchasing the application module is on the list of District technology projects to consider.
- **The District does not use the position control function of the human resource module.** The human resource module only shows employees on active status, and does not show all funded positions in the District. The module does not distinguish between positions that are funded and vacant, and those that no longer exist. As a result, budgeting is difficult because the Treasurer may not know all funded but vacant positions. If an employee is terminated, the Treasurer may not know if this position is still needed at the District, and the position may or may not be factored into the budget. The HR Department has indicated the position control function in Pentamation may be difficult to use.

Ensuring adequate training and planning for system integration are important practices to consider when implementing technology projects. Best practices highlighted by OPPAGA indicate that school districts should verify the availability of appropriate training before acquiring new equipment and software. Also, district staff should receive training to keep technology skills up-to-date. Furthermore, according to the Texas School Performance Review, every district should set a goal of identifying the systems that should communicate and establish a plan for integrating them as soon as possible. The investment needed to integrate these systems is offset by increased staff productivity, fewer costly data errors and better customer service to the students, parents and the community served by the district. Without an application module, staff has to re-enter application data into Pentamation from the in-house software, resulting in lost productivity. The limited training on Pentamation also results in a loss of productivity

because staff has to spend more time learning how the system operates during the course of daily work, rather than relying on system knowledge obtained at formal training sessions.

Financial Implication: According to the IT Director, the web-based employee application module would cost \$30,000 including the module, set-up, training, and maintenance. Additional training on existing system features could be obtained from Pentamation. Costs vary depending on the level and length of training requested.

Board Roles and Responsibilities

R3.14 The Board should develop written evaluation forms containing performance objectives for the Superintendent and Treasurer that are consistent with Board policy. The evaluation forms should incorporate criteria similar to the recommended components developed by OSBA. OSBA recommends that evaluations be conducted annually and linked to job descriptions. Also, evaluations should contain performance objectives and mechanisms for feedback that result in the sharing of information to meet the District's short and long-term goals.

LLSD Board policies state that the President of the Board will provide each Board member with a copy of written performance objectives for the Superintendent and the Treasurer. The Board President then solicits from each Board member, written evaluations of the Superintendent and the Treasurer's overall performance, including the extent to which performance objectives are met. Contrary to Board policy, the Treasurer and Superintendent recently received verbal evaluations from the Board. Although the Board evaluation policy meets OSBA criteria, the District has not followed its policy.

OSBA states that evaluations should be conducted annually and linked to job descriptions. Also, evaluations should contain performance objectives and mechanisms for feedback that result in the sharing of information to meet the District's short and long term goals.

The absence of written evaluation materials and clearly documented performance goals inhibits the Board from effectively tracking or evaluating the performance of the Superintendent and Treasurer. Without proper guidelines, these key positions may not have clear, Board supported performance goals. Developing written guidelines and stated performance objectives that tie to the mission of the District and the Superintendent and Treasurer's job descriptions would enable the Board to conduct productive evaluations with measurable outcomes. In turn, this would give the Superintendent and Treasurer clear and comprehensive objectives, which are supported by the Board, to measure their progress towards achieving the District's goals and mission.

At-Risk Program

R3.15 LLSD should develop a formal outreach plan that meets best practice criteria to enhance parent involvement in its English as a Second Language Program (ESL). The federal No Child Left behind (NCLB) Act, Section 3302, requires school districts to implement effective methods of outreach to parents of limited English proficient (LEP) students. Although the District has implemented some outreach programs at the individual building level, administrators should take an active role in developing a District-wide process.

The District does not have a formal outreach plan to ensure it meets ESL-related requirements of the NCLB Act. Building level programs exist based mainly on volunteer efforts from students, faculty and parents based on individual building needs.

The Parental Involvement publication developed by the National Clearinghouse for English Language Acquisition (NCLEA) identifies best practice methods used by schools nationwide that have high performing ESL programs. The following are effective outreach methods that have been identified by the NCLEA:

- Demonstrate respect for parents of LEP students;
- Provide social services to students and their families;
- Offer educational resources for parents as well as children;
- Make efforts to communicate information and solicit involvement to parents;
- Enlist parents as partners in their child's education;
- Involve parents in the governance of the school; and
- Solicit parent input and involvement in the classroom and on school committees.

By establishing clear and effective parental involvement programs, LLSD can emphasize a more collaborative approach with parents to help ensure the success of its LEP students.

Financial Implication Summary

The following tables represent a summary of the annual cost savings and one-time implementation costs 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 depend on the agreement of the affected bargaining units. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications for Human Resources

	Estimated Annual Cost-Savings	One-time Implementation Costs
Recommendations Not Subject to Negotiation		
R3.2 Reduce 13 ESP staff positions.	\$973,000	
R3.3 Reduce 12 Special Education Teachers.	\$829,000	
R3.7 Reduce the amount of sick leave used by enhancing District-wide policies.	\$147,000	
R3.13 Purchase and implement additional HRIS module.		(\$30,000)
Subtotal	\$1,949,000	(\$30,000)
Recommendations Subject to Negotiation		
R3.6 Negotiate increased health insurance contribution to 15 percent for all employees.	\$151,000	
R3.4 Reduce Classified Staff COLA by 2 percent.	\$232,000	
Subtotal	\$383,000	
Total Recommendations	\$2,332,000	(\$30,000)

Source: Performance audit recommendations

Appendix 3-A: Employee and Board Survey Responses

An employee survey was distributed by email to LLSLD 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. LLSLD had a response rate of 978 out of 1,900 employees or 51 percent. Survey responses were tallied on a scale of 5 to 1 where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 3-5** illustrates the results.

Table 3-5: Employee Human Resource Survey Results

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Average Response
Job Description							
I am aware of the duties required in my job description.	1% (5)	2% (17)	2% (20)	25%(224)	71% (640)	0% (0)	4.63
My job description accurately reflects my actual daily routine.	2% (21)	7% (67)	9% (82)	35%(321)	45% (410)	1% (5)	4.16
I have sufficient resources to fulfill my responsibilities.	3% (23)	11%(100)	13%(117)	47%(428)	26% (238)	0% (0)	3.84
I receive adequate on-going training to fulfill my job duties.	2% (19)	9% (82)	16%(144)	41%(375)	31% (285)	0% (1)	3.91
Cross training has been implemented in my department.	4% (32)	18%(164)	27%(248)	25%(228)	11% (96)	15% 138)	3.67
Performance							
Our department could effectively maintain productivity in the event of a short-term absence.	2% (19)	8% (74)	9% (85)	45%(410)	34% (305)	1% (13)	4.05
The Board of Education monitors its performance and achievement of its goals.	1% (8)	5% (46)	22% 195)	41%(373)	20% (180)	11%(104)	4.08
I am aware of the Board of Education's achievement goals.	2% (15)	11%(100)	17%(155)	44%(401)	21% (190)	5% (45)	3.87
Evaluation							
I am evaluated annually.	6% (58)	23%(204)	13%(116)	32%(290)	22% (200)	4% (38)	3.53
The evaluation process provides timely and relevant feedback.	5% (45)	11%(103)	15%(139)	40%(361)	25% (227)	3% (31)	3.79

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Average Response
Evaluations are done in accordance with collective bargaining contracts.	4% (32)	5% (46)	13%(118)	37%(339)	33% (297)	8% (74)	4.15
The evaluation form used is relevant to my job duties.	3% (26)	8% (73)	16%(144)	39%(353)	29% (266)	5% (44)	3.98
Management responds and acts on recommendations made in evaluation sessions.	3% (29)	7% (61)	23%(210)	35%(319)	21% (192)	10% (95)	3.96
Sick Leave/Substitutes							
The District's employee's sick leave policy is too lenient.	27%(242)	46%(417)	13%(121)	6% (53)	3% (30)	5% (43)	2.27
The District's employee substitutes are qualified and effective.	4% (33)	14%(127)	28%(255)	42%(376)	7% (67)	5% (48)	3.51
Current substitute system is effective in placing substitutes.	4% (36)	12%(111)	18%(159)	43%(388)	17% (152)	7% (60)	3.76
Certification							
I am aware of few lapses in certificate/licenses due to lack of management oversight.	12%(109)	19%(169)	23%(208)	18%(161)	8% (70)	21% (189)	3.53
Human Resources							
I am satisfied with how human resources activities are managed in the District.	3% (30)	10% (88)	25%(223)	41%(371)	14% (127)	7% (67)	3.75
I am satisfied with the overall effectiveness of Human Resources management policies and procedures.	3% (27)	10% (87)	24%(221)	43%(389)	14% (127)	6% (54)	3.73
I am informed of changes in District policies and procedures.	2% (17)	7% (63)	11% (98)	55%(495)	24% (218)	2% (14)	3.97
The District's overall recruitment process is effective.	1% (11)	6% (57)	22%(202)	43%(387)	16% (144)	11% (104)	4.00
The District's procedures regarding job posting and hiring are effective.	3% (26)	8% (68)	16%(147)	51%(463)	18% (159)	5% (42)	3.87
I am satisfied with procedures regarding health benefits.	2% (16)	8% (73)	17%(151)	52%(473)	17% (151)	5% (41)	3.88
Current grievance procedures are fair and effective.	2% (21)	6% (52)	26%(231)	36%(325)	12% (106)	19% (170)	4.05
Current discipline procedures are fair and effective.	6% (50)	13%(117)	23%(210)	34%(309)	10% (92)	14% (127)	3.73
I feel overall District employee's satisfaction and morale is positive.	3% (30)	13%(120)	16%(142)	50%(454)	16% (149)	1% (10)	3.67

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Average Response
I feel confident in the leadership of the District.	2% (21)	9% (79)	20%(179)	47%(427)	21% (186)	1% (13)	3.79
Information regarding my job duties and responsibilities is shared in a timely and effective manner between departments and individuals.	2% (22)	10% (93)	17%(157)	47%(429)	19% (176)	3% (28)	3.8
My opinion is valued and my input is given consideration.	5% (43)	12%(108)	18% 162)	45%(408)	19% (172)	1% (12)	3.66
The District has formal written procedures that direct staff on how to respond on constituent inquiries.	1% (12)	5% (48)	29%(262)	33%(301)	9% (85)	22% (197)	4.09
The District staff receives training on how to respond to constituent inquiries.	2% (20)	12%(107)	33%(302)	25 (222)	6% (55)	22% (199)	3.86

A survey was also distributed by email to Board members 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 all five 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. **Table 3-6** illustrates the results.

Table 3-6: Board of Education Survey Results⁹

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Response Average
Board Roles						
The Board plays an active role in developing the District's strategic plan.	0% (0)	20% (1)	0% (0)	0% (0)	80% (4)	4.4
The Board annually evaluates the progress the District has made toward achieving the objectives identified in the strategic plan.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6
The Board establishes goals and priorities for each fiscal year.	0% (0)	40% (2)	20% (1)	40% (2)	0% (0)	3
Financial Reporting						
Financial reports are provided to the Board for review prior to committee meetings.	20% (1)	0% (0)	20% (1)	20% (1)	40% (2)	3.6

⁹ This survey conducted by AOS is for non-statistical purposes. It is used to gauge Board member opinion over human resource related topics.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Response Average
Financial reports are discussed during Board meetings.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6
The proposed budget is presented to the Board in an easy-to-read and understandable format.	0% (0)	0% (0)	20% (1)	60% (3)	20% (1)	4
The District financial staff provides the Board with historical financial information that is useful for evaluating the proposed budget	0% (0)	60% (3)	0% (0)	20% (1)	20% (1)	3
The District financial staff provides the Board with financial information that is useful in evaluating the current financial situation or condition.	0% (0)	20% (1)	20% (1)	0% (0)	60% (3)	4
The District's financial staff provides sufficient information for line items over/under budget.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6
The Board is actively involved in developing solutions for the District's financial issues.	0% (0)	20% (1)	0% (0)	40% (2)	40% (2)	4
Board Training						
Newly elected board members receive sufficient orientation training.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6
Board members receive on-going training in areas that are pertinent to their roles.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6
Board Communication						
The District has written policies that clearly delineate the responsibilities of the board.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6
The District has written policies that clearly delineate the responsibilities of the Superintendent.	0% (0)	20% (1)	0% (0)	60% (3)	20% (1)	3.8
The District has written policies that clearly delineate the responsibilities of the Treasurer.	0% (0)	20% (1)	0% (0)	60% (3)	20% (1)	3.8
I have been provided information on how to access District staff for appropriate information.	0% (0)	0% (0)	0% (0)	40% (2)	60% (3)	4.6
I have been provided information on how to direct staff to respond to constituent inquiries.	0% (0)	20% (1)	20% (1)	40% (2)	20% (1)	3.6

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Response Average
Written policies and procedures are routinely updated to ensure that they are timely, relevant and complete.	0% (0)	20% (1)	0% (0)	40% (2)	40% (2)	4
Evaluations are performed for the Superintendent and Treasurer according to Ohio Revised Code (ORC) or at least annually.	0% (0)	40% (2)	40% (2)	20% (1)	0% (0)	2.8
The Superintendent and Treasurer's evaluations take into consideration the achievement of strategic goals	0% (0)	20% (1)	20% (1)	60% (3)	0% (0)	3.4

Appendix 3-B: Certificated and Classified Employee Contract Analysis

Table 3-7 summarizes the comparison made between LLS D classified agreement and the classified agreements of the contract comparison districts:

Table 3-7: Certificated Contractual Agreement Comparisons

	LLSD	Dublin CSD	Hilliard CSD	Olentangy LSD	Westerville CSD
Length of work day	7 hours and 30 minutes; 30 minute duty free lunch	7 hours and 35 minutes; 30 minute duty free lunch	Length of workday n/a; 30 minute duty free lunch	7 hours and 40 minutes; 30 minute duty free lunch	7 hours and 40 minutes; 30 minute duty free lunch
Contractual Teaching Time:	High school 5 periods (out of 7) Middle school 6 periods (out of 8 periods)	Students in school 400 minutes for high school. Students in school 420 minutes for junior high school.	N/A ¹	Full-time teachers work at least 360 minutes.	Members shall have no more than 360 minutes of student contact time per day (instructional day does not normally exceed 5 periods out of 7 where class periods are 45 minutes)
Maximum class size	30 students per teacher maximum – 27 students per class is goal If 30 students per teacher are exceeded, instructional aids are hired.	N/A	N/A	Teacher to student ratios: 24:1 k-5 25:1 6-12	25 students per teacher
Number of Contract Days	184 days	185 days	183 days	185 days	185 days
Instructional Days	176 days	183 days	180.5 days	180 days	182 days

	LLSD	Dublin CSD	Hilliard CSD	Olentangy LSD	Westerville CSD
Non-Instructional	2 professional development days 3 workdays			2 of the 5 days without students are curriculum work days.	Students will not be in attendance the last day of each semester. Time may be used for record-keeping, grading, and in-service activities.
In-Service Professional Development Parent/Teacher Conference Workdays	2 teacher conference days 1 other non-instructional day	2 days (1 day at the end of each semester) can be used by the employee to complete administrative work.	1 in-service day 4 hours professional development 1 other non-instructional day	The mid-year workday will be identified as a work-day. In addition, teachers will be required to attend 2 additional school events per year.	1 other non-instructional in-service work day.
Maximum number of sick days accrued	300 days	Unlimited days	255 days	300 days	255 days
Sick Leave Accrual Rate	15 days	15 days	15 days	15 days	15 days
Maximum # Sick Leave Payout	50 days	55 days	65 days or number of sick days accrued, whichever is less	90 days	68 days or number of sick days accrued, whichever is less
Sick Leave Incentive	N/A	N/A	N/A	N/A	N/A
Maximum Accrual # of Personal Leave	4 days	4 days	N/A	Personal Leave is not cumulative	Personal leave is not cumulative
Number of personal days	3 days	3 days	3 days	3 days	3 days
Personal Leave incentive	If no personal leave is used, the total number of days may be converted to 1 additional day of personal leave for the following year for a maximum of 4	N/A	If an employee does not use personal days, they can cash in personal leave at a rate of \$40 a day.	An employee can get reimbursed for personal leave at the casual substitute rate.	N/A
Retirement Incentive	Yes	Yes	N/A	N/A	Yes
Base increases each year of the contract	2.8%	3.2%	3.6%	1.7%	4.0%
Step Increase	2.1%	3.2%	3.9%	2.8%	3.0%

Source: Certificated negotiated agreements from LLSD and the peer districts for FY2005-06.

Table 3-9 summarizes the comparison made between LLSD classified agreement and the classified agreements of the contract comparison districts:

Table 3-9: Classified Agreement Contractual Comparison

	LLSD	Dublin CSD	Hilliard CSD	Olentangy LSD	Westerville CSD ¹
Vacation time to accumulate	Less than 1 year: none 1-8 years: 2 weeks 9-16 years: 3 weeks After 17 years: 4 weeks	0-8 years: 10 days 9-19 years: 15 days 20-24 years: 20 days 25 years or greater: 22 days	1-6 years: 10 days 7-9 years: 12 days 10-15 years: 15 days 16-19 years: 17 days 20 years and over : 20 days	1-10 years: 10 days 11 years and above: 1 year for every year of service, up to a maximum of 20 days	0-11 months: 1 day per month up to a maximum of 10 days prior to June 30 1-8 years : 11 days 9-13 years: 15 days 14-19 years: 20 days 20 and over: 1 day for every year up to 25 days
Sick/personal leave incentive	N/A	N/A	Regular employees who work the entire school year without using sick leave shall be paid an attendance stipend as follows: 1,600 hours or more: \$100 Less than 1,600 hours: \$50 Unused personal leave can be cashed in.	Unused personal leave days may be paid out at the rate of 1/2 the employee's hourly pay, up to a maximum of \$35 per day. Employees who have accrued 5 years of service at Olentangy LSD and have a minimum of 100 days of credited sick leave can cash out once annually for perfect attendance 15 days of accrued sick leave earned in the sixth and succeeding years.	N/A
Maximum number of sick days accrued	300 days	Unlimited days	255 days	300 days	245 days
Maximum number of sick days paid at retirement (percentage payout)	1/4 maximum number of sick days accrued; (55) days	1/4 maximum number of sick days accrued; 54 days	1/4 maximum number of sick days accrued; (63.75) days	30 percent of the employee's unused sick leave; (90) days	Maximum (60) days

	LLSD	Dublin CSD	Hilliard CSD	Olentangy LSD	Westerville CSD ¹
Retirement incentive	Yes	Yes	N/A	N/A	Yes – retirement incentive payment of \$2,500 in a lump sum with severance payment
Number of personal days	3 days	3 days	3 days	3 days	3 days
Notice required	5 days	24 hours	5 days	24 hours	N/A
Number of holidays paid for 12-month employees	10 days	10 days	9 days	12 days	11 days
Number of holidays paid for less than 12 month employees	8 days	8 days	8 days	Eligible for the 12 holidays, which fall during the months worked	10 days support 9 days food service
Base salary increases each year of the contract	30 cents increase – 1.7% to 3.3% depending on job classification	3.2%	N/A	4.0%	3.5% support 2.9 % custodial 2.1% support
Average Step Increase	1.2%	2.0%	N/A	2.8%	1.2% custodial

Source: LLSD and peer classified staff contracts.

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Facilities

Background

The facilities section focuses on custodial, maintenance, and building operations within the Lakota Local School District (LLSD or the District). The objective is to analyze these areas and, where appropriate, to develop recommendations for operational improvements. LLSD's operations are evaluated against best practices and operational standards from the American Schools and Universities (AS&U) *Maintenance & Operations Cost Study*, the National Center for Education Statistics (NCES) *Planning Guide for Maintaining School Facilities*, the National State Auditors Association (NSAA), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the New Mexico Public School Facilities Authority (PSFA), the Government Finance Officers Association (GFOA), the Texas School Performance Review (TSPR), the Ohio Schools Council (OSC), and Brevard County Schools, Florida (Brevard). In addition, Type 7 urban and suburban districts¹ with similar demographics (high median income and low poverty rates), high Ohio Proficiency test scores and low per-pupil expenditures were used as peer districts.² Finally, AOS administered a survey of LLSD employees regarding custodial and maintenance services. Survey questions and results can be found in **Appendix 4-A** at the end of this section.

Organizational Structure and Function

LLSD consists of 20 schools: 12 elementary schools (grades pre-K thru 6); 4 middle schools (grades 6 thru 8); and 4 high schools, 1 building for freshman, 2 buildings for grades 10 thru 12, and 1 alternative school (Wokini), which is staffed by the Butler Technology and Career Development Schools (Butler Tech). LLSD also has a central office which houses District-wide services and administrative personnel, and a service center for transportation functions and buildings and grounds personnel, for a total of 22 buildings. LLSD has added 9 new buildings since FY 1992-93, and due to increasing student enrollment, two additional elementary buildings are scheduled to open in August 2007, along with additions to each of the two main high schools. LLSD is also scheduled to open a freshman school in August 2008.

¹ As categorized by the Ohio Department of Education.

² The ten districts used for peer comparisons include Avon Local School District (Lorain County), Aurora City School District (Portage County); Beavercreek City School District and Sugarcreek Local School District (Greene County); Forest Hills Local School District and Loveland City School District (Hamilton County); Kings Local School District, Mason City School District, and Springboro Community City School District (Warren County); and Granville Exempted Village School District (Licking County). LLSD originally was included in the peer districts as a high performing, low spending district. As LLSD is the client District in this report, its data was not included in the pool of peer districts.

The Executive Director of Business Operations (Business Manager), in addition to other duties unrelated to the M&O Department, oversees the Facility Services Supervisor and two secretaries, as well as the custodial and maintenance staff. The Facility Services Supervisor is responsible for the day-to-day operations and oversight of the custodial and maintenance personnel. In addition to receiving directions from the Facilities Services Supervisor, head custodians may also receive directions or work requests from the principals in the buildings. Similarly, shift custodians are nominally supervised by the head custodians who act as custodial team leaders, but may also receive direction and feedback from individual building principals.

Staffing

The mission of the custodial staff is to provide a clean and safe environment for students, staff, and visitors. In addition to the general cleaning and upkeep of the facilities, head custodians are responsible for light maintenance performed at the buildings and for assisting the maintenance staff with the completion of maintenance activities on an as needed basis.

The Maintenance Department is responsible for LLSD's physical plant, which includes all buildings and grounds. The maintenance staff uses a work order system to perform and track skilled maintenance and repair work, preventive maintenance, and other activities for all school buildings and office space. LLSD has a crew of athletic maintenance helpers who are responsible for the upkeep of the athletic fields and some light mowing. These grounds employees are under the direction of the Athletic Director and are not included in the Maintenance and Operations (M&O) Department or this analysis.

The custodial staff at LLSD consists of 92 positions or 87.4 custodial full-time equivalents (FTEs), one of whom is classified as a custodial/courier and only works three hours per day completing custodial responsibilities. There are 19 head custodians, while the remaining 68.4 FTEs are considered shift custodians working second or third shift. Each school building except Wokini has a head custodian who is on duty during the day or first shift. All custodial staff work 12 months regardless of whether they are full or part time. Summer school is offered every year at the freshman building and one of the elementary buildings. Elementary summer school is rotated from building to building each year to allow for the completion of summer custodial duties.

The custodial staffing in the school buildings varies from a low of 3.5 FTEs in elementary buildings to a high of 9.0 FTEs at the main high schools. These staffing levels are based on the square footages maintained by the custodians and the after school usage of the buildings. Custodial staffing at the administrative buildings (central office and service center) is one FTE or less depending on the square footage.

The elementary buildings, the Freshman Building, Wokini, and the junior high buildings have custodians who are on duty during the first and second shifts. Lakota East and West High Schools have first, second, and third shift custodians Monday thru Friday. These buildings also have second shift custodians who work Tuesday thru Saturday due to the high usage of the buildings during evenings and weekends.

LLSD has 13 maintenance FTEs, of which, 12 are classified as maintenance engineers and 1 is classified as a maintenance helper. Maintenance employees are assigned to building groups in order to promote efficiency through reduced travel time; however, there are instances in which they are required to work outside their individual groups due to absences or if a certain expertise is required. Total M&O staffing equates to 107 positions or 101.6 FTEs.

Table 4-1, illustrates M&O Department staffing levels, and the number of FTEs responsible for the maintenance and custodial duties at LLSD.

Table 4-1: LLSD M&O Total Positions and FTEs

Classification	Total Positions ¹	Number of FTEs
Executive Director of Business Operations (Business Manager)	1.0	0.3²
Facility Services Supervisor	1.0	1.0
Maintenance	13.0	13.0
Maintenance Total	14.0	14.0
Head Custodian Total	19.0	19.0
Second Shift Custodian (8 Hour, 12 Month)		
Elementary School	31.0	30.0
Middle School	14.0	13.0
High School	13.0	13.0
Administrative	2.0	1.4
Second Shift Custodian (8 Hour, 12 Month) Total	60.0	57.4
Second Shift Custodian (4 Hour, 12 Month)		
Elementary School	3.0	1.5
Middle School	1.0	0.5
Second Shift Custodian (4 Hour, 12 Month) Total	4.0	2.0
Second Shift Custodian (Tuesday thru Saturday: 8 Hour, 12 Month)		
High School	4.0	4.0
Second Shift Custodian (Tuesday thru Saturday) Total	4.0	4.0
Third Shift Custodian		
High School	5.0	5.0
Third Shift Custodian Total	5.0	5.0
Custodian Total	92.0	87.4
Total M&O Department³	107.0	101.6³

Source: LLSD building staff information.

¹ Total position count will be high because part time positions at multiple buildings are counted as one position.

² Based on the Business Manager's job description it is estimated that 25 percent of duties were directly related to the M&O Department. The Business Manager resigned during the audit period.

³ Totals will be off due to rounding.

Key Statistics

Key statistics related to the FY 2004-05 M&O at LLSD are presented in **Table 4-2**. Also included in **Table 4-2**, and throughout the report, are the results of the 34th annual AS&U Maintenance and Operations Cost Study which was published in April 2005. The AS&U report was the result of a detailed survey of business officials at school districts across the nation. The survey collected information on staffing levels, workloads, facility expenditures, and salaries for M&O Departments. The current report provides a general national median and a student enrollment-based national median as industry standards. In addition to the AS&U report, **Table 4-2** draws on the NCES publication, *Planning Guide for Maintaining School Facilities*. This NCES report serves as a benchmark standard for custodial effort, measured by staffing per square foot.

Table 4-2: FY 2004-05 Key Statistics and Indicators

Number of School Buildings	22
Elementary Schools	12
Middle Schools	4
High Schools	4
Administrative Buildings	2
Total Square Feet Maintained¹	1,898,573
Elementary Schools	813,399
Middle Schools	349,500
High Schools	701,885
Administrative Buildings	33,789
Square Feet Per FTE Custodial Staff Member (87.4 FTE)	21,729
Elementary Schools (43.5 FTEs)	18,699
Middle Schools (17.5 FTEs)	19,971
High Schools (25.0 FTEs)	28,075
Administrative Buildings (1.4 FTEs)	24,574
NCES National Average	28,000¹
Square Feet Per FTE Maintenance Staff Member (13.0 FTEs)²	148,051
AS&U 34th Annual Cost Survey > 3,500 Student Median	85,572
LLSD FY 2004-05 M&O Expenditures Per Square Foot	\$5.31
Custodial and Maintenance	\$3.82
Utilities	\$1.49
AS&U 34th Annual Cost Survey > 3,500 Student Median	\$4.29
AS&U 34th Annual Cost Survey National Median	\$3.84

Source: LLSD Business Manager, NCES *Planning Guide for Maintaining School Facilities*, and the AS&U's 34th Annual M&O Cost Study

¹ The NCES custodial staffing benchmark is a range from 28,000 to 31,000 square feet per FTE, at the NCES Level 3 cleaning standard (the normal standard for most school facilities).

² The custodians maintain 1,898,573 square feet which reflects the actual area cleaned. Total square footage for all buildings is 1,924,666, which is used to calculate square footage for maintenance FTEs.

Table 4-2, illustrates that LLSD's custodial staff is responsible for approximately 6,200 fewer square feet per FTE than the NCES national average of 28,000 square feet per FTE (see **R4.1**), while the maintenance staff's responsibility is almost double the AS&U median for districts with enrollment greater than 3,500 students. In addition, LLSD's M&O cost per square foot exceeds the AS&U standards.

Financial Data

Table 4-3, illustrates expenditures incurred to maintain and operate LLSD's facilities for FY 2002-03, FY 2003-04, and FY 2004-05. Included in **Table 4-3** are maintenance and operating costs from the General Fund and other funds recorded in the Uniform School Accounting System (USAS) function code for operation and maintenance of plant services.

Table 4-3: LLSD M&O Expenditures

	FY 2002-03	FY 2003-04	FY 2002-03 to FY 2003-04 % Change	FY 2004-05	FY 2003-04 to FY 2004-05 % Change
Salaries/Wages	\$3,918,633	\$4,259,708	8.7%	\$3,659,372	(14.1%)
Benefits	\$1,231,133	\$1,389,696	12.9%	\$1,228,094	(11.6%)
Purchased Services	\$1,507,753	\$1,916,430	27.1%	\$1,821,216	(5.0%)
Utilities	\$2,513,364	\$2,797,001	11.3%	\$2,863,001	2.4%
Supplies/Materials	\$580,335	\$789,314	36.0%	\$502,046	(36.4%)
Capital Outlay	\$82,202	\$141,518	72.2%	\$153,016	8.1%
Capital Outlay Replacement	\$26,435	\$4,085	(84.5%)	\$0	(100.0%)
Other	\$4,056	\$0	(100.0%)	\$0	0.0%
Total General Fund	\$9,863,911	\$11,297,752	14.5%	\$10,226,745	(9.5%)
Total All Funds	\$9,875,716	\$11,312,474	14.5%	\$10,508,772	(7.1%)

Source: LLSD Function 2700 financial information from FY 2002-03, FY 2003-04, and FY 2004-05.

Explanations of some of the more significant variances shown in **Table 4-3** are as follows:

- Salaries and wages increased 8.7 percent from FY 2002-03 to FY 2003-04 while retirement and insurance expenditures increased by 12.9 percent. The increases were the result of staffing increases to accommodate the opening of three new buildings, an elementary, a junior high, and the central office. Other contributing factors included a step in the salary schedule of approximately 1.2 percent per year and overtime usage. The 14.1 percent decrease in salaries expenditures and the 11.6 percent decrease in retirement and insurance expenditures in FY 2004-05, can be attributed to staffing reductions necessitated by the 2004 levy failure. Staffing reductions were completed through attrition. Also, after the renegotiation of the 2004 classified bargaining agreement, some of the custodians at Lakota East and Lakota West High Schools were moved to third shift, while others had the work week adjusted from Monday through Friday to Tuesday through Saturday, eliminating much of the Saturday and evening overtime expenditures.

- Purchased services increased 27.1 percent from FY 2002-03 to FY 2003-04 which was caused by outsourcing all snow removal and mowing. At the same time, LLSD was expending large amounts on maintenance agreements for capital projects. The significant reduction of 5.0 percent in expenditures from FY 2003-04 to FY 2004-05 was primarily attributed to the completion of the capital improvements and retraction of some of the snow removal and mowing contracts.
- Utilities expenditures increased 11.3 percent from FY 2002-03 to FY 2003-04, which is significantly higher than the historical average increase of 5.5 percent. This is attributed to the addition of three new buildings in FY 2003-04.
- Capital outlay expenditure increases of 72.2 percent from FY 2002-03 to FY 2003-04, and 8.1 percent from FY 2003-04 to FY 2004-05 were due to the completion of many of the capital improvements and building projects which had been on hold in prior years. Many of the House Bill (H.B.) 264 energy conservation projects were also completed at this time.

Table 4-4, shows LLSD's expenditures per square foot for FY 2004-05 as compared to the AS&U National Median, the AS&U Median for districts with over 3,500 students, as well as the peer district average.

Table 4-4: FY 2004-05 M&O Expenditures per Square Foot Comparison

Expenditures per Square Foot	LLSD	AS&U National Median ²	LLSD Variance to AS&U National Median	AS&U Median 3500+	LLSD Variance to AS&U Median 3500+	Peer District Average ³	LLSD Variance to Peer District Average
Salaries/ Benefits	\$2.54	\$1.79	\$0.75	\$2.39	\$0.15	\$2.80	(\$0.26)
Purchased Services	\$0.95	\$0.24	\$0.71	\$0.14	\$0.81	\$0.99	(\$0.04)
Utilities	\$1.49	\$1.35	\$0.14	\$1.37	\$0.12	\$1.50	(\$0.01)
*Electricity	\$1.01	NA	NA	NA	NA	\$0.98	\$0.03
*Water & Sewage	\$0.13	NA	NA	NA	NA	\$0.14	(\$0.01)
*Gas	\$0.24	NA	NA	NA	NA	\$0.38	(\$0.14)
*Oil	\$0.00	NA	NA	NA	NA	\$0.01	(\$0.01)
Supplies/Materials	\$0.26	\$0.27	(\$0.01)	\$0.25	\$0.01	\$0.30	(\$0.04)
Capital Outlay	\$0.08	NA	NA	NA	NA	\$0.06	\$0.02
Other	\$0.00	\$0.19	(\$0.19)	\$0.14	(\$0.14)	\$0.06	(\$0.06)
Total General Fund	\$5.31	\$3.84	\$1.47	\$4.29	\$1.02	\$5.71	(\$0.40)
Total All Funds	\$5.46	NA	NA	NA	NA	\$6.19	(\$0.73)

Source: FY 2004-05 LLSD Budwrk 2700 information; 34th AS&U Annual Cost Study, and Type 7 Peer Districts 4502 Statements P and Q.

¹ LLSD's Utility expenditures include object 441 (telephone).

² AS&U national benchmark's utility expenditures include telephone. AS&U does not include benchmarks for individual utilities categories, capital outlay, or total all funds expenditures so comparisons were not applicable.

³ Peer District Average includes telephone expenditures in the Purchased Services.

As illustrated in **Table 4-4**, total General Fund expenditures were \$1.47 or 38 percent higher than the AS&U National Median and \$1.02 or 24 percent higher than the AS&U 3,500+ Student Median benchmarks. LLSD's higher ratio of salary and benefit expenditures per square foot is primarily due to higher custodial staffing levels (see **R4.1**). Purchased service costs per square foot were higher because LLSD purchased new equipment and completed capital improvements while also contracting for the majority of its grounds keeping. While utilities expenditures exceeded the AS&U medians for both categories, LLSD expenditures increased 11.3 percent in FY 2003-04 but only 2.4 percent in FY 2004-05. See also **R4.6** and **R4.7** for further analysis of LLSD's utilities expenditures. **Table 4-4** also shows that LLSD had lower expenditures per square foot than the peer district average in all categories with the exception of electricity and capital outlay. Total General Fund expenditures were \$0.40, or 7 percent, lower per square foot than the peer district average, and the total for all funds M&O expenditures was \$0.73, or 12 percent, lower per square foot than the peer district average.

Noteworthy Accomplishments

During the course of this performance audit, the following sound practices were identified:

- **Board Policies and Administrative Regulations:** LLSD Board of Education (the Board) Policies and Administrative Regulations are on the District's website. The online Board Policies include sections on personnel staffing and hiring policies, facility use guidelines, and a schedule of facility use rates, among other topics. The facilities content is updated regularly and provides clear communication about facility use and costs to all key stakeholders. Clear policies and procedures, posted on the Internet, facilitate community access to information while also providing guidance and promoting accountability.
- **Custodial Staff Handbook:** LLSD has a comprehensive custodial staff handbook which meets and exceeds best practice criteria. The handbook serves as a comprehensive reference tool which can be used to increase efficiency, effectiveness, and satisfaction related to LLSD's custodial services. The handbook, which encompasses several facilities-related issues, is available at each building (see **R4.3**).
- **Community Survey:** LLSD has implemented various survey methods to ensure community stakeholders have an opportunity to voice their opinions. These surveys allow LLSD to determine outside perceptions of its operations. The surveys also allow LLSD to pinpoint and address areas which may be perceived as needing improvement (see **R4.4**).
- **Overtime Reduction:** LLSD negotiated provisions into the 2004 classified bargaining agreement which reduced overtime expenditures in FY 2004-05. Beginning with the 2004 negotiated agreement, Lakota East and Lakota West High Schools moved a portion of the custodians to a Tuesday through Saturday work-week and added a third shift. These changes

resulted in a reduction of overtime and brought the expenditures back in line with best practice criteria.

- **New Employee Training:** LLSD offers a comprehensive new employee training program which meets NCEC best practice criteria. In addition, LLSD's new custodial employees are hired from the pool of substitute custodians. Both of these conditions help increase efficiency by reducing the amount of time new employees need to gain familiarity with their job duties and responsibilities.
- **Energy Audits:** LLSD employs the services of Midwest Utilities Consultants (MUC) to audit all utility bills. MUC checks for overcharging or incorrect billing on behalf of LLSD. LLSD's current agreement with MUC provides that any findings resulting in recovery of funds will be split equally between the parties. MUC only receives compensation if a billing error is found.
- **Planning Committee:** LLSD has a Planning Committee which consists of 40 parents, staff, and principals who research enrollment growth and overcrowding at Lakota school buildings. The primary goal of the committee is to develop short-term remedies for overcrowding during FY 2006-07. The committee will also make recommendations for new attendance zones when the two new elementary buildings open in FY 2007-08.
- **Special Crisis Intervention Teams (SCIT):** LLSD has teams in place at each building whose purpose is to develop and review safety procedures. These teams are referred to as Special Crisis Intervention Teams (SCIT), and include individuals who have been chosen for their particular field of expertise or training. The SCIT team at Union Elementary has parent volunteers from both the local fire and police departments. The teams are in place to provide expertise and preemptive planning to address safety, health, and security issues. Issues which have been addressed by the Union Elementary SCIT team include streamlining Union's fire and tornado drill procedures, testing 911 call-in procedures, changing shelter-in-place procedures, and conducting building walkthroughs to test environmental health conditions. These types of approaches have allowed LLSD to proactively plan for addressing health and safety issues.
- **Work Order Processes and Data Tracking:** LLSD has a facilities management data system consisting of a computerized work order system which the District supplements with building walkthroughs. LLSD's work order system contains all of the elements of an effective system when compared to benchmark standards. The preventive maintenance program allows for continuous updates to the equipment and facilities database function, and is integrated with the online work order program to ensure timely, efficient, and equitable maintenance prioritization. LLSD's building walkthroughs provide an on-site means to visually evaluate and identify any conditions which might warrant a work order. The M&O Department's annual employee reviews focus on the timeliness and quality of completed

work orders, and serve as outlets for facilities user responses. Through the full use of its facilities management data system, LLSD is better equipped to plan for, maintain, and track the expenses of all building needs including preventive, routine, and emergency maintenance.

- **Maintenance and Operations Performance:** During the course of the audit, AOS conducted a survey of District personnel to determine their satisfaction with M&O services. Respondents rated the *Quality of Service*, *Maintenance Satisfaction*, *Custodial Work Ethic*, *Custodial Satisfaction* and *District Health and Safety* as agree or strongly agree over 75 percent of the time in all categories. The categories of Custodial Work Ethic and Attitude was rated the highest of this set with 82 percent of respondents agreeing or strongly agreeing that custodians are polite and have a good work ethic and attitude. Eighty-one percent of respondents agreed that the District ensures a safe and healthy environment.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on other areas within the facilities section which did not warrant changes and did not yield recommendations. These areas are discussed below:

- **New Technology and Ongoing Training:** LLSD provides M&O staff training before each school year to address any new procedures, expectations, or equipment. In addition, training after the school year but prior to the summer break provides a forum for staff feedback on Departmental strengths and weaknesses from the previous year. Both training sessions serve to prepare the staff members to complete their duties in a timely and effective manner while ensuring the safety of all facilities users and the employees themselves. Training sessions are supplemented during the school year on an as needed basis. LLSD also offers comprehensive professional development which allows M&O staff the opportunity to participate in job-related training and professional development activities. LLSD's support staff professional development and tuition reimbursement programs provided approximately \$25,500 worth of continuing education reimbursements in FY 2005-06.
- **Energy Conservation Measures:** LLSD has managed to diversify its energy conservation strategies and policies. The use of energy conservation methods has curbed the District's escalating energy costs which increased 20.3 percent from FY 2002-03 to FY 2003-04 to a more modest increase of 1.3 percent from FY 2003-04 to FY 2004-05. Energy conservation measures include centralized HVAC controls, the establishment of energy conservation guidelines, and contracts for energy audits (see **R4.8**).
- **5-Year Capital Improvement Plan (CIP):** LLSD has a CIP which lists specific projects, buildings, projected cost, total costs, and provides a section for comment. The project list also has project priority levels for each year and is incorporated in the budget and five-year financial forecast. LLSD places all capital improvement projects on this list and removes

them as they are completed. At the end of the fiscal year, projects which were not completed are added with any new projects and re-prioritized. In order for LLS D to maintain a CIP which is in line with best practices, the District should expend the time-frame which the CIP covers from three to five years (see **R4.5**).

- **Health, Safety, and Building Condition Evaluations:** LLS D seeks to proactively identify environmental health, safety, and building security issues in order to protect both students and staff. To address environmental health and safety, teams conduct walkthroughs before and after each school year to identify areas of concern. LLS D principals attested that the M&O Department acted quickly and effectively to address problems when they required immediate attention. To address building security, LLS D uses programmable key card locking systems on all outside doors and equipment rooms. Visibility, communications, police, fire, and disaster planning are all covered by the Special Crisis Intervention (SCIT) teams. In addition, building conditions are informally evaluated daily and in written form on a monthly basis. Continuous evaluations allow the facilities to remain safe and proactively address any issues which could arise. As shown in **Table 4-A1**, 81 percent of respondents to the AOS survey agree that the District ensures a safe and healthy environment.
- **Building Capacity and Utilization Rates:** LLS D's method for enrollment projections appears to be an accurate tool for long-term planning. Additionally, the enrollment projections are completed on an annual basis to maintain accuracy. LLS D is currently over the 85 percent suggested building capacity due to its rapidly increasing enrollment. There are plans in place to build two new elementary schools and to add on to the two main high schools. LLS D's new school building projects are following a standardized design which helps to promote faster completion, as well as reduced cost. In addition to these building projects, LLS D has worked to mitigate the capacity issue through the use of the Lakota Planning Committee. This committee is working to solve the current overcrowding issue, while at the same time, developing strategies for redistricting some students when the new buildings open in FY 2006-07.
- **Preventive Maintenance Program:** LLS D's preventive maintenance program, which is an online integrated system, provides an inventory database of all building equipment, repairs and maintenance. Accessible maintenance records and inventories facilitate the completion of preventive maintenance in a timely and cost-effective manner. The system ranks projects based on priority and tracks the associated costs. The work order system creates a structured framework in which the M&O Department can initiate and complete all assigned tasks as well as plan for long and short-term tasks. LLS D is a large district with 22 buildings, so a structured work order system which allows for the integration of timely preventive maintenance is imperative for efficient and cost-effective operations.

- **AOS Facilities Survey:** LLSA staff and administrators were given the opportunity to rate M&O operations as a part of a District-wide satisfaction survey. The survey contained 23 questions specifically related to facilities. Survey responses averaged 4.0 which exceeded the survey target acceptable rating of 3.0 (see **R4.4**).

Issues Requiring Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditor does not review within the scope of the audit. AOS has identified the following as issues requiring further study:

- **Outsourcing Summer Custodial Services:** In FY 2003-04 LLSA obtained an estimate for contracting out some summer custodial services at select buildings. However, this estimate was not a complete itemization of the cost for the intense cleaning normally performed during the summer.

The NSAA published a best practices document titled *Contracting for Services* (2003). This publication covers all major issues surrounding contracting for services including:

- Planning;
- Decision to contract;
- Performance requirements;
- Request for proposal process;
- Award process;
- Award decision;
- Contract provisions; and
- Monitoring.

Each of the sections includes step-by-step best practice procedures for evaluation and implementation of an effective service contract.

According to the NCES, some school districts hire outside agencies to handle certain maintenance and custodial tasks – that is, they use privatized or contracted services. There are many reasons for outsourcing jobs, e.g., in-house staff are constantly being bombarded with special projects and emergencies that take priority over their daily duties; or a small school district may not be able to afford to keep specialized personnel on staff; or, a large district may need to reduce the number or hours for permanent staff.

NCES does include a caveat for districts considering contracting services. While there may be financial benefits to privatizing certain activities in a school system, the effects on an organization's work culture must also be considered.

Given LLSD's lower expenditures per square foot when compared to the peer average for salaries and wages illustrated in **Table 4-4**, and the current acceptable quality of service as illustrated in **Appendix 4-A**, LLSD may want to consider the option of outsourcing summer custodial services based on complete information. Any decision to contract summer custodial services should include a comprehensive cost-benefit analysis, and follow the NSAA best practice guidelines.

- **Maintenance Department Time and Attendance:** LLSD's maintenance employees travel from building to building as needed, but otherwise are assigned to a specific building. Their time and attendance is tracked through a manual system, and then reconciled and re-entered into the payroll system. As a result, the M&O Department relies heavily on the individual employee to maintain accurate records. No problems were noted; however, reliance on an "honor system" could create conditions under which fraud or abuse could occur.

There are a variety of methods from which LLSD could choose to strengthen the District's internal controls for this area. For example, hand-held telephone GPS units, similar to those used by technology, could record time and mileage for a cost of approximately \$8,000. Maintenance employees could also swipe the entry card when arriving and leaving a building, allowing attendance to be tracked on a weekly basis. A third option would be an automated time system to ensure employee accountability. Although no problems were noted, LLSD may decide to address this issue in any number of ways; however, the District should attempt to do so in a manner which is both efficient and cost-effective.

Recommendations

- R4.1 LLSD should consider allocating all head custodians as 0.5 custodial FTE and 0.5 maintenance FTE to reflect current practices. In addition, the District should establish benchmarks using industry standards to reallocate the current custodial staffing rather than hiring additional custodians when the new elementary buildings and the high school building additions are completed. These staffing changes would achieve a custodial workload comparable to industry standards while allowing a continuous level of quality service without incurring additional costs.**

Head custodians are responsible for general light cleaning and minor maintenance in LLSD's buildings during the school day. Work orders are generated only if the maintenance needs require skilled labor such as changing a part on an HVAC system. When a maintenance employee is required to complete a work order in a building, the head custodian acts as an assistant. Head custodians are also responsible for the daily upkeep of buildings and grounds. Daily upkeep includes dust mopping hallways, managing supplies and inventory, ensuring general building security, completing preventive maintenance, and assisting with lunchroom operations.

As shown by the AOS facilities survey results in **Table 4-A1**, 34 percent of respondents disagreed that there was a sufficient number of custodians in their building. This may be due to limited day-to-day contact. However, 68 percent of respondents agreed that the facilities are properly cleaned and 77 percent agreed or strongly agreed that they are satisfied with the custodial staff's work.

LLSD assigns custodians to buildings in numbers which result in approximately 24,000 square feet per custodian. However, the District does not include head custodians (19 FTEs) in the 24,000 square feet calculation when making staff assignments. Head custodians are not assigned traditional cleaning duties like those completed by the second and third shift custodians. If head custodians are not included in the calculation, there are 68.4 custodial FTEs responsible for approximately 27,767 square feet each. However, if the 19 head custodians are factored into the calculation, the square footage per custodial FTE is reduced to approximately 21,723. Neither scenario is reflective of stated practices at LLSD. As head custodians perform general light cleaning duties as well as minor maintenance and repairs, the head custodians should be reallocated as 0.5 FTE custodial and 0.5 FTE maintenance.

According to the NCES *Planning Guide for Maintaining School Facilities* (2003), there are five levels of cleanliness. Level three cleaning is the norm for most school facilities and is acceptable to most stakeholders while not posing any health issues. According to level three standards, a custodian can clean approximately 28,000 to 31,000 square feet in eight hours.

Table 4-5 compares LLSD's current M&O staffing levels to the NCES and AS&U benchmarks and then shows the proposed staffing levels with the reallocation of head custodians.

Table 4-5: M&O Staffing Comparison to Benchmarks

LLSD M&O Current Staffing Allocation		
	Custodial FTEs	Maintenance FTEs
Current LLSD Staffing	87.4	13.0
NCES Staffing FTEs (28,000 square feet per FTE)	67.8	NA
LLSD FTEs Over NCES benchmark	19.6	NA
AS&U Staffing FTEs (85,572 square feet per FTE)	NA	22.5
LLSD FTEs Less than AS&U benchmark	NA	(9.5)
LLSD M&O Proposed Staffing as a Result of Head Custodian Reallocation		
	Custodial FTEs	Maintenance FTEs
Current LLSD Staffing	87.4	13.0
19 head custodians as 0.5 custodial FTE and 0.5 maintenance FTE	(9.5 FTEs)	+ 9.5 FTEs
Proposed LLSD Adjusted Staffing	77.9	22.5
NCES Staffing FTEs	67.8	NA
LLSD FTEs Over NCES benchmark	10.1	NA
AS&U Staffing FTEs	NA	22.5
LLSD FTEs Over AS&U benchmark	NA	0.0

Source: LLSD Comprehensive M&O packet, NCES Planning Guide for Maintaining School Facilities, and the 34th ASU Cost Study

As shown in **Table 4-5**, reallocation of the 19 head custodians would reduce the total custodial FTEs by 9.5, to a total of 77.9 FTEs and increase the total maintenance FTEs by 9.5, for a total 22.5 FTEs. LLSD would remain overstaffed in the custodial category by 10.1 FTEs according to the NCES criteria. The reallocation would bring maintenance FTEs to 22.5- a level equal to the AS&U recommended staffing level.

LLSD will open two elementary buildings in August 2007. Each building will have an area of approximately 75,000 square feet; a net increase to the total District square footage of approximately 150,000 square feet. These changes would bring the total square footage for maintenance FTEs to 2,074,666 and the total square footage for custodial FTEs to 2,048,573. According to the Facility Services Supervisor, LLSD intends to staff each building with a head custodian and three second shift custodians. LLSD is also planning to build additions at both Lakota East and Lakota West High Schools. These changes would bring the total square footage for maintenance FTEs to 2,189,944 and the total square footage for custodial FTEs to 2,163,851. **Table 4-6** displays LLSD's current square footage and benchmark FTE requirements, and the projected square footage for the two new elementary buildings and planned high school

additions. **Table 4-6** also shows the impact of the additional square footage on LLSD's proposed staffing levels.

Table 4-6: LLSD Projected Square Footage Additions and Staffing

	Custodial FTEs	Maintenance FTEs
Proposed LLSD Staffing	77.9	22.5
Current Square Footage	1,898,573	1,924,666
NCES Recommended FTEs	67.8	N/A
AS&U Recommended FTEs	N/A	22.5
Additional 150,000 Square Feet for New Elementary Buildings	2,048,573	2,074,666
NCES Recommended FTEs	73.2	N/A
AS&U Recommended FTEs	N/A	24.2
Additional 115,278 Square Feet for New High School Additions	2,163,851	2,189,944
NCES Recommended FTEs	77.3	N/A
AS&U Recommended FTEs	N/A	25.6

Source: LLSD Comprehensive M&O packet, NCES Planning Guide for Maintaining School Facilities, and the 34th ASU Cost Study

Table 4-6 shows that, based on industry standards and benchmarks, LLSD does not need to hire additional custodians for the new school and additions if the head custodians are reallocated as proposed. LLSD's proposed custodial staffing levels would be similar to the NCES FTE benchmark. For the maintenance function, LLSD's staffing level would fall below the projected AS&U criterion by 3.1 FTEs.

Table 4-7 shows the financial implication, through cost avoidance, of not hiring additional custodial FTEs for the increased square footages.

Table 4-7: LLSD Cost Avoidance

Position	Staffing FTEs	Base Salary	Benefits	Cost Per FTE	Total Cost
Head Custodian	2 FTEs	\$29,494	\$8,848	\$38,343	\$76,686
2nd Shift Custodian	6 FTEs	\$25,542	\$7,663	\$33,205	\$199,230
Cost Avoidance					\$275,916
Less the cost of promoting two shift custodians to head custodians for the two new buildings					(\$10,276)
Total Net Cost Avoidance					\$265,640

Source: LLSD classified bargaining agreement and new building information.

Financial Implication: If LLSD does not hire the two head custodians and six second shift custodians as planned, it would achieve a cost avoidance of approximately \$275,916 annually in salaries and benefits. However, LLSD would potentially need to promote two shift custodians to head custodians for the two new buildings, reducing the estimated cost avoidance to \$265,640. This is calculated using the base salary of head custodians and second shift custodians, and benefits equivalent to 30 percent of salaries.

R4.2 LLSD should update its job descriptions and organizational chart to reflect the M&O Department's operations. A clear and up-to-date organizational chart and comprehensive job descriptions should be reviewed annually. This will help to ensure efficient employee performance and accountability by providing written expectations and a clear reporting structure. In addition, LLSD should shift the custodial staff hours to allow for greater interaction between the head custodian and shift custodians. Allowing for greater interaction between head custodians and shift custodians will further ensure efficiency, effectiveness, and accountability for all custodial staff.

LLSD has created an organizational chart and a set of comprehensive job descriptions. The M&O Departmental structure is mapped out both in the comprehensive District organizational chart and within the individual job descriptions. In addition, the individual job descriptions contain all major elements including: position title, who the employee reports to, the position goals, qualifications, functions/responsibilities, salary, and evaluation procedure.

The Board revised and adopted the District's organizational chart on April 24, 2006. However, the organizational chart does not accurately reflect the M&O Department's structure. For example, the position of Building and Grounds Director included in the organizational chart is vacant and has been for several years. However, during the course of the audit, the FY 2006-07 Executive Budget Summary was released and included funding to fill the position. Also, position titles are inconsistent, i.e., the Facilities Coordinator is also known as the Facility Services Supervisor, which is the title of the position on the job description.

Under the District's job descriptions, head custodians are to direct and train the shift custodian staff members. The Facility Services Supervisor indicated head custodians provide feedback and direction for work orders. However, head custodians have had very little opportunity to direct or provide feedback to the shift custodians.

LLSD should revise custodial staff shift schedules in a manner that creates more overlap between the shift schedules of the head custodian and the shift custodians. By allowing the head custodians more opportunities to direct and train the shift custodial staff, LLSD could facilitate a more effective, team-oriented environment. Head custodians could use

their technical expertise to provide training and input on improving the day-to-day efficiency and effectiveness of all shift custodians.

Some of the M&O job descriptions were last updated in 1992 and core elements of the jobs have changed since that time. According to *National Job Description Laws, Regulation, Analysis, News, and Tools* (Business and Legal Reports, Inc., 2006), organizations should have a formal schedule for reviewing all job descriptions, preferably on an annual basis. Maintaining up-to-date job descriptions is important because they facilitate effective human resource management in the following ways:

- Clarify duties and define relationships between individuals and departments;
- Help the jobholder understand the relative importance of tasks and level of accountability;
- Provide information about the knowledge, training, education, and skills needed for a job;
- Help minimize conflicts and improve communications by telling employees what they need to know about the job;
- Help management analyze and improve the organizational structure and resource allocation; and
- Provide this information in a completely objective manner.

According to the NCEC *Planning Guide for Maintaining Facilities*, employees should always know who they report to and who has the authority to direct their efforts. A clear channel of authority starts with an accurate job description and organizational chart.

The primary benefit of having a clear hierarchy is accountability. If and when a breakdown in the system occurs, a clear hierarchy and current job descriptions will allow LLSD to evaluate the situation and pinpoint responsibilities of the parties involved. Without a clear organizational hierarchy and job descriptions, employees may not have clear knowledge of expectations, accountability, and performance criteria.

R4.3 LLSD should update the custodial staff handbook to reflect the M&O Department's operations as well as expected performance standards. Additionally, LLSD should create a maintenance staff handbook which is in line with OPPAGA and Public School Facilities Authority (PSFA) best practices.

LLSD has a custodial staff handbook which contains work steps and schedules for custodial staff that meets the recommended procedural criteria for custodial activities. However, these work steps and schedules have not been updated since 1993. In that same time period, LLSD has added seven new buildings, staff, and equipment. The custodial staff handbook has not been updated to reflect the revised cleaning procedures and work schedules associated with these departmental changes. In addition, the individual work

schedules included in the handbook are employee-specific and no longer accurate for employees who have moved to other buildings or employees hired after 1993. Finally, in order to determine standards for cleaning a certain area, the work steps should be matched with the work schedule to establish a time criteria for completing specific job tasks.

LLSD does not have a maintenance handbook. However, policies and procedures are disseminated to the Maintenance Department through a variety of methods. Information may come in the form of internal memos, e-mail, newsletters, and bulletin postings from the principals to custodial staff, or from the Facility Services Supervisor to both maintenance and custodial staff.

LLSD uses the year-end review process to evaluate each custodial and maintenance employee. During these sessions, employees meet with the Facility Services Supervisor to review their past year's performance. LLSD places high priority on staff performance, and the year-end reviews are a suitable means to discuss performance. Each review is completed with measurable performance ratings which are coupled with, and reinforced by, written performance standards for routine procedures. Updated custodial and maintenance staff manuals would allow the District to develop specific standards for each position which could then be linked to the annual evaluation process. The custodial staff manual may not be consistent with the annual reviews in the presentation of evaluation criteria unless it is updated to reflect current practices.

OPPAGA recommended practices state that, at a minimum, procedures should provide for the replacement and selection of equipment; purchase of equipment, supplies and materials; maintenance and operations budget criteria; facilities standards; personnel staffing and hiring policies; and use of facilities and equipment. *The Planning Guide for Maintaining School Facilities* published by NCEC states that every maintenance and operations department should have a policies and procedures manual that governs its day-to-day operations. The manual should be readily accessible to all employees (perhaps through an Intranet or the Internet).

At a minimum, the manual should contain:

- Mission statement;
- Personnel Policies;
- Purchasing Regulations;
- Accountability Measures;
- Asbestos Procedures;
- Repair Standards;

- Vehicle Use Guidelines;
- Security Standards; and
- Work Order Procedures.

The New Mexico Public School Facilities Authority (PSFA) has developed a Sample Preventive Maintenance Plan (Plan) (2006). PSFA developed this Plan to help New Mexico school districts comply with a state law. However, the Plan is more than just preventive maintenance; it includes all the elements of an effective maintenance handbook as well. The sample preventive maintenance plan includes the following indexed sections:

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

The District should also consider for inclusion the following items:

- An outline of step-by-step processes for completion of routine maintenance tasks;
- An established criterion for what the M&O Department expects and will accept as a “completed” work order;
- A list of any equipment which the maintenance workers might use, including proper procedures for using the work order system;
- A formalized outline of departmental information dissemination; and
- All relevant sections of LLSD’s Board Policies and Administrative Regulations.

The Facility Services Supervisor noted that the Maintenance Department does not have a manual because the nature of the work is non-routine. The assumption is that work schedules would be impossible to predict or adhere to, and that maintenance steps differ for every piece of equipment, depending on what part is broken or what part needs to be serviced. However, a maintenance handbook would be useful to District maintenance staff as it would serve as a policy and procedures resource specific to their job duties, a guide for the completion of routine tasks, and a resource for the proper care and use of commonly used equipment. In addition, it would improve stability and consistency in the event of turnover in key positions.

Routine maintenance procedures should have clearly written steps and standards for acceptable work for inclusion in the maintenance handbook. By using a step-by-step method, the maintenance worker will be assured that all duties are covered. This is especially important when tasks include routinely servicing equipment.

According to OPPAGA, performance standards for commonly repeated tasks should be established by the district on the basis of internal review or available benchmarks of industry practices and be used for assigning work and conducting performance appraisals. Through the use of updated performance standards such as cleaning procedures and work schedules, LLSD's supervisory staff would be able to accurately measure overall satisfaction and the general performance measures can be used for the year-end reviews.

R4.4 LLSD should formalize written policies and procedures for the administration of the annual M&O Department surveys and include maintenance activities to assess the satisfaction of the facility users. The maintenance survey should consist of a series of general performance questions and provide user feedback in the form of a rating in accordance with best practice criteria. Also, the results should be compiled and analyzed to determine potential areas for improvement. Finally, these performance areas should be addressed through planning and process evaluation in a way which mitigates the perceived deficiency.

In 2005, the M&O Department administered a facilities survey titled, *How Can We Improve the Custodial Staff?* The survey was given to facility users and consisted of eight questions covering topics from staff responsiveness to the quality of work. Furthermore, the survey had a supplemental section which allowed the participants the option to add additional comments or their name and building. However, the survey did not include questions regarding satisfaction with maintenance staff.

According to the NCES, many of the day-to-day activities or systems used to plan and operate a maintenance program also generate the types of information needed to evaluate the program's effectiveness. These can include user feedback/customer satisfaction surveys. There are many ways to gather information from users (i.e., the people who benefit from maintenance activities), including collecting satisfaction surveys and convening advisory committees of stakeholders. The value of user perception should not be overlooked as an evaluation tool.

An effective customer survey should contain a series of general statements along with a rating system (i.e. strongly disagree, disagree, neutral, agree, and strongly agree). Another aspect to consider when administering a facility user survey is that it should cover both custodial and maintenance operations.

In order to gauge facility user (staff and administration) feedback, the M&O Department should conduct a survey which allows for rating its current level of effort as well as suggestions or constructive criticism. The encouragement of suggestions and constructive criticism will strengthen the Department's knowledge about custodial and maintenance satisfaction.

R4.5 LLSD should develop an on-going, long-term, comprehensive facilities master plan which compiles key elements such as enrollment projections and capacity analyses, building construction and improvements, and national best practice criteria. This document should be a roadmap for LLSD's facilities activities. It should also allow the District to effectively monitor any changes in population or community growth patterns and plan its facilities needs accordingly. The facilities master plan should cover a 10-year period and should coincide with the projects listed on the CIP. In addition, the District's CIP should be expanded to cover a 5-year period in order to maintain a planning timeline consistent with industry standards.

LLSD has developed several long-term plans for various elements of facilities operations. The M&O Department developed an internal planning document, *Lakota Local School District Building 5-Year Plan*. This document outlines custodial and maintenance operations but does not include actual planning timelines. Given the absence of specific timelines, the title of the document, "5-Year Plan," may be misleading. For the custodial section, each building is profiled with a series of information including:

- Square footage of the building;
- Number of students;
- A list of custodians including shift and hours;
- Square footage per 2nd shift custodian; and
- Building needs.

The custodial section also includes an assessment of the needs for the new buildings which LLSD is in the process of building, such as equipment, flooring, and a recommended number of custodial FTEs.

The maintenance section of the M&O Department's report includes a short overview of the Department (total personnel and square footage maintained), as well as complete profiles of each maintenance worker, his responsibilities, and vehicle usage. Additionally, there is a list of Maintenance Department recommendations which range from additional FTEs to safety concerns and a schedule for the replacement of vehicles.

In addition, LLSD compiles a three-year Capital Improvement Projects List at the beginning of each year. The list contains projects which have been incorporated into LLSD's five-year forecast and budget documents. The list for the current fiscal year includes athletics projects and capital improvement projects by school building, along with a project description, prioritization, estimated project cost, and comment. The list covers a three-year period and is updated as projects are completed or new projects are added. While the Capital Improvement Projects List contains all elements of an effective planning tool, it should be expanded to cover a five-year period in order to maximize its effectiveness.

According to DeJong and Associates, *Creating a Successful Facilities Master Plan* (2001), districts should develop a long-term facilities master plan. The plan should contain information on capital improvement and financing, preventive maintenance/work orders, overall safety and condition of buildings, enrollment projections and capacity analysis. The plan should be developed on a foundation of sound data and community input. A facility master plan, if developed appropriately, has the potential to have a significant effect on the quality of education in a school district. As a road map, the facility master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district-wide facility master plan is typically a 10-year plan and should be updated periodically to incorporate improvements that have been made, changes in demographics or other district needs.

The NCES *Planning Guide for Maintaining Schools Facilities* contains several elements that would aid LLSD in effectively planning for facility and capital needs in general, and developing a comprehensive facilities master plan. These elements include the following:

- Involving stakeholders in the planning process;
- Identifying needs (e.g., improving cleanliness and safety, correcting deficiencies, addressing deferred projects, increasing efficiency, decreasing utility bills);
- Establishing priorities and targets;
- Collecting and using supporting data to inform decision-making;
- Sharing the plan to garner support from management and key stakeholders;
- Allocating funds to pay for planned activities;
- Training staff to implement planned activities;
- Implementing the plan;
- Being patient while awaiting cost savings or other results;
- Evaluating the plan systematically;
- Refining efforts based on evaluation findings; and
- Reviewing and revising the plan periodically (e.g., every three years).

According to *Budget Practices and Examples* (GFOA, 1998), the cost of desired capital projects will usually substantially exceed available funds in most governments. Development of a facilities plan provides a framework for prioritizing projects and identifying funding needs and sources. Facilities maintenance and effective planning produce savings by:

- Decreasing equipment replacement costs over time;
- Decreasing renovation costs because fewer large-scale repair jobs are needed; and
- Decreasing overhead costs (such as utility bills) because of increased system efficiency.

The *Planning Guide for Maintaining Schools Facilities* suggests using manufacturer's manuals to develop the preventive maintenance schedule. A comprehensive plan will help the District better monitor and understand its facilities needs and communicate these needs to its stakeholders.

LLSD has most of the separate items which should be included in a facilities master plan. However, the documents have not been compiled into a comprehensive master document. Without a comprehensive master plan which includes all best practice elements, LLSD runs the risk of duplicating its efforts or even missing certain key elements. A single, comprehensive document would enable District management to better coordinate all M&O preventive maintenance, routine maintenance, and capital improvement projects.

R4.6 LLSD should establish an energy conservation education program which reinforces conservation goals and practices. The education program for both students and staff should convey not only the steps to energy conservation, but also the rationale behind energy conservation. Additionally, to promote conservation activities, LLSD should consider implementing a cost savings rewards program in which the individual schools are rewarded based on a percentage of generated energy savings. Also, LLSD should discuss strategies for creating student energy conservation groups, such as an Energy Patrol, which may help in reducing energy-related expenditures.

LLSD does not have a formal policy for student or employee energy conservation education. However, individual buildings have attempted to create site-specific programs. Union Elementary uses a conservation reminder program that entails short lists of recommended energy conservation practices placed near equipment which faculty and administrative staff routinely use. These same notes are also found on a majority of the staff's desks in the building. According to the Principal at Union Elementary, these notes serve as constant reminders for staff to reduce energy consumption. Union Elementary also sends out newsletters to community members, parents, and students that restate the energy conservation practices which are promoted within the building.

Table 4-8 shows the positive effects of energy conservation practices at Union Elementary as compared to LLSD's other elementary buildings.

Table 4-8: LLSD and Union Elementary Electricity Comparison

FY	Union Elementary Expenditure ¹	Union Square Footage	Union Cost Per Square Foot	Average Elementary Expenditure	Average Elementary Footage	Average Elementary Cost per Square Foot	Variance
2002-03	\$44,180	54,364	\$0.81	\$62,636	62,512	\$1.00	(\$0.19)
2003-04	\$44,638	54,364	\$0.82	\$69,243	65,093	\$1.06	(\$0.24)
2004-05	\$48,688	54,364	\$0.90	\$70,119	65,093	\$1.08	(\$0.18)
2005-06	\$46,065	54,364	\$0.85	\$75,513	65,093	\$1.16	(\$0.31)

Source: LLSD building square footages and historical utilities expenditures.

¹ Union Elementary does not have a centralized HVAC system but the building does have window air conditioning units in the classrooms and in the office. Historically window based units have been more expensive to operate than a centrally controlled HVAC system. Given these factors, this comparison does not factor the building-level variances in HVAC type.

As shown in **Table 4-8**, Union Elementary spent less per square foot on electricity than LLSD's other elementary buildings for every fiscal year shown, with the greatest variance in FY 2005-06. Union Elementary has spent \$0.85 per square foot in 2005-06 to date, while the average LLSD elementary has spent \$1.16 per square foot; a variance of \$0.31. Union has saved LLSD an average of \$0.23 per square foot, or approximately \$12,500 a year, for the last four years.

By developing policies and programs to promote and reward student and staff participation in energy conservation, Spring Independent School District (Spring ISD) in Houston, Texas, achieved significant energy savings. Spring ISD developed a rebate program that rewards each school for efficient energy use by sharing equally any savings with any school that reduces its usage below the budgeted 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 operational staff by sharing cost savings with the mechanics. Spring ISD savings ranged from 7 to 14 percent per year for the five years of the rebate program.

Over 2,000 schools in Texas are participating in Watt Watchers and WATTEAM Programs. In these programs, student teams patrol assigned areas of their school, checking for lights left on in unoccupied rooms. Tickets or thank you notes are left for the occupants to remind them to turn off lights when they are not needed. Startup kits and training for the patrols are free. This popular, hands-on energy education program for students has generated savings of up to 30 percent on utility costs.

Due to recent financial constraints, LLSD may have been unable to offer energy conservation programs as they would fall outside of the District's core curriculum. However, without supplemental energy conservation education for students and staff, LLSD may be bypassing a potential cost savings opportunity.

Financial Implication: Based on Texas School Performance Review's calculations of energy savings, LLSD could save as much as 30 percent through the implementation of an energy conservation education program. However, based on Union Elementary's average electricity savings of \$0.10 per square foot as compared to the adjusted base electricity cost, which assumes implementation of **R4.7**, LLSD's 11 other elementary buildings could save an estimated \$72,000.³ Potential savings from the implementation of an energy conservation education program could conservatively amount to approximately \$72,000, depending on the extent of implementation. This savings estimate is based on the actual results that LLSD has experienced through implementation of a similar program at Union Elementary and therefore presents a conservative and practical estimate of savings for the District.

R4.7 LLSD should consider joining the Ohio Schools Council (OSC), or a similar purchasing consortium, to take advantage of its Energy for Education Program. The OSC Energy for Education Program, or a similar program, may allow LLSD to save as much as 18 percent on its current electricity expenditures.

LLSD belongs to the Unified Purchasing Group (UPG), which is a purchasing consortium. LLSD purchases electric service through Pro Alliance and natural gas through Constellation, both are members of the UPG.

Based on the information in **Table 4-4**, LLSD's total utilities expenditures compare favorably to the peer district average because of the District's purchasing and conservation practices. However, LLSD's electricity expenditures exceed the peer district average by \$0.03 per square foot. Though this level may be considered minimal, it equates to approximately \$57,700 per year. LLSD continues to work on reducing electricity expenditures by contracting with Four Seasons Environmental Incorporated to perform a total energy audit. The energy audit will use a mapping program to identify energy consumption peaks and equipment inefficiencies; the elimination of which could further reduce electricity expenditures.

³ Cost savings are determined using the average Union Elementary savings of \$0.23 per square foot multiplied by the average elementary square footage of 65,093. Cost savings are only calculated for LLSD's 11 elementary buildings as they represent the most accurate comparison to Union Elementary in both building use and square footage.

The OSC offers a prepaid electric program called the Energy for Education Program. This program serves 60 school districts, and since 1997, the program has saved those 60 participating school districts over \$27 million in electric energy costs. Each participating school saved an average of 18 percent on electricity expenditures since 1997. In order to allow districts to pre-pay for electricity, the Energy Acquisition Corporation sold \$119 million in bonds; the proceeds were then used to pay for electric services. Each month, instead of paying the power company directly, the districts make payments to a trustee. At the end of each fiscal year, a reconciliation process takes place wherein the actual kilowatt hours (kWh) used per district is compared to the estimated kWh. Districts that use more than their estimate are charged for the difference; districts that use less receive a refund. During the course of the audit LLSD, enrolled in the OSC's Energy for Education II Program.

Financial Implication: Based on the OSC data and calculated savings of 18 percent, LLSD could save approximately \$349,000 based on the FY 2004-05 utility expenditures. If LLSD could realize this level of savings it would bring electricity expenditures to an estimated \$0.83 per square foot and total utility expenditures to an estimated \$1.20 per square foot. \$1.20 per square foot would be lower than the AS&U and peer district average.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings and cost avoidances. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for LLSD Facilities

Recommendation	Annual Cost Savings	Annual Cost Avoidance
R4.1 Avoid hiring additional custodians		\$265,000
R4.6 Implement energy conservation education programs	\$72,000	
R4.7 Reduce utility expenditures	\$349,000	
Total	\$421,000	\$265,000

Appendix 4-A: Employee Survey Responses

AOS administered an employee survey to obtain feedback and perceptions concerning custodial and maintenance services. 978 employees completed the survey; 880 of which completed the facilities section of the survey. The survey was administered to 1,900 individuals. Based on 978 responses, the participation rate for the AOS survey was approximately 51 percent. Of the employees responding to the survey, approximately 89 percent completed the facilities section of the survey. Survey responses were 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 Results¹

Survey Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Response Average
Work orders are responded to in a timely manner.	2% (16)	13% (112)	17% (151)	48% (419)	12% (107)	9% (75)	3.81
Custodial and maintenance employees deliver quality services.	1% (11)	9% (78)	12% (106)	53% (469)	23% (202)	2% (14)	3.93
Emergency work orders are given top priority.	1% (7)	4% (33)	20% (174)	36% (319)	17% (152)	22% (195)	4.32
Schools are notified in advance of work to be performed.	1% (6)	8% (70)	22% (198)	30% (268)	8% (73)	30% (265)	4.28
Schools are advised of incomplete work orders.	1% (6)	8% (69)	31% (269)	14% (124)	4% (31)	43% (381)	4.42
Work is scheduled so it is not disruptive.	2% (14)	8% (69)	18% (161)	45% (399)	13% (116)	14% (121)	4.02
Workers are careful near children.	0% (3)	1% (6)	13% (111)	50% (438)	23% (206)	13% (116)	4.35
Overall, I am satisfied with the maintenance department.	1% (7)	6% (51)	15% (130)	53% (470)	22% (195)	3% (27)	4.00
The regular cleaning schedule appears to be appropriate.	3% (25)	15% (129)	13% (118)	49% (433)	18% (162)	1% (13)	3.70
Custodial tasks are completed efficiently.	2% (18)	12% (103)	14% (124)	50% (436)	20% (175)	3% (24)	3.82
Facilities are properly cleaned.	3% (25)	15% (135)	13% (118)	49% (428)	19% (166)	1% (8)	3.68
Custodians are polite and have a good work ethic and attitude.	1% (11)	5% (43)	11% (93)	47% (414)	35% (304)	2% (15)	4.14
There appears to be a sufficient number of custodians in my building.	8% (66)	26% (230)	15% (130)	35% (306)	14% (124)	3% (24)	3.30
School grounds are properly maintained.	2% (14)	9% (83)	14% (119)	56% (494)	18% (154)	2% (16)	3.84

Survey Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Response Average
Custodial staff cooperates with other staff regarding safety of equipment on school grounds.	1% (5)	1% (13)	11% (101)	54% (473)	25% (219)	8% (69)	4.24
Work appears to be scheduled according to priorities.	1% (5)	4% (35)	18% (155)	50% (440)	16% (141)	12% (104)	4.12
Workers show respect for school property.	1% (5)	2% (20)	9% (75)	57% (499)	27% (234)	5% (47)	4.23
Playground equipment is properly maintained.	0% (4)	4% (33)	20% (175)	35% (310)	13% (112)	28% (246)	4.40
Overall, I am satisfied with the custodial staff's work.	1% (10)	7% (62)	13% (118)	52% (457)	25% (218)	2% (15)	3.97
I am aware of the District's security policies and procedures.	0% (3)	6% (55)	9% (83)	57% (501)	23% (204)	4% (34)	4.08
I feel that the District's security policies and procedures are enforced.	2% (15)	7% (61)	16% (139)	51% (452)	19% (166)	5% (47)	3.95
I feel safe in the school building.	1% (9)	3% (28)	10% (85)	53% (468)	32% (279)	1% (11)	4.15
I feel that the District ensures a safe and healthy environment.	1% (12)	5% (43)	11% (98)	55% (481)	26% (233)	1% (13)	4.04
Total Respondents							880
(skipped this question)							98

¹ Survey percentages may not add up to 100% due to some respondents skipping questions.

Transportation

This section of the performance audit analyzes the Lakota Local School District's (LLSD or the District) transportation operations. LLSD's operations have been evaluated against best practices and industry benchmarks from a variety of sources including, the National State Auditors Association (NSAA), Ohio's Legislative Office of Education Oversight (LOEO), the Association of School Business Officials (ASBO), Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA), the Michigan Department of Education, the National Association of State Directors of Pupil Transportation Services (NASDPTS), the American Association of School Administrators (AASA), and the Ohio Legal Rights Council. In addition, Type 7 urban and suburban districts¹ with similar demographics (high median income and low poverty rates), high Ohio Proficiency test scores, and low per-pupil expenditures² were used as the peer districts.³ It should be noted the 10 peer districts used in this comparison provided transportation services in-house and did not contract with a third party for the provision of pupil transportation.

During the course of the audit, AOS administered a survey to LLSD employees to evaluate many aspects of the District's operations. The results from the transportation service segment of the survey were used in this report. Survey questions and results can be found in **Appendix 5A** at the end of this section.

Operations

The LLSD Transportation Policy states that:

The Lakota Local School District Board of Education (the Board) is committed to providing cost-effective, efficient and safe transportation services for all eligible students served by the District, both public and non-public. Transportation services are intended to support the District's basic mission to educate the youth of the community. The District shall comply with all applicable provisions of ORC (Ohio Revised Code) and Ohio School Bus Operations Regulations issued by the Department of Education, Ohio State Highway Patrol and the Ohio Department of Public Safety.

¹ As categorized by the Ohio Department of Education

² The ten districts used for peer comparisons include Avon Local School District (Lorain County), Aurora City School District (Portage County); Beavercreek City School District and Sugarcreek Local School District (Greene County); Forest Hills Local School District and Loveland City School District (Hamilton County); Kings Local School District, Mason City School District, and Springboro Community City School District (Warren County); and Granville Exempted Village School District (Licking County).

³ LLSD originally was included in the peer districts as a high performing, low spending district. As LLSD is the client district in this report, its data was not included in the pool of peer districts.

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 their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance, and to educable mentally retarded children in accordance with standards adopted by the State Board of Education. Finally, when required by an individualized education plan (IEP), districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

According to the Transportation Policy, the District may transport students who reside more than one mile, but less than the two mile State mandated requirement, and students residing less than one mile from their assigned school where hazardous traffic and/or road conditions exist as determined by the Superintendent (see **R5.10**). LLS D's boundaries are primarily comprised of Liberty and West Chester Townships which are more rural in nature. Because of this, there are virtually no sidewalks throughout the District, and many of the roads and State routes surrounding the school buildings have 55 mile per hour speed limits. As a result, LLS D has elected to transport all students who request transportation.

Table 5-1 compares the number of LLS D students transported on yellow buses in FY 2004-05 to the peer district average.

Table 5-1: FY 2004-05 Students Riding Yellow Buses

	LLSD	Peer District Average	Percent Variance
ADM	15,645	4,727	231.0%
Active Buses	190	50	280.0%
Type I and II Regular Needs Riders	18,000	4,116	337.3%
Public Riders	15,570	3,545	339.2%
• Public Riders as Percent of Total	86.5%	86.1%	0.4%
Non-Public Riders	2,430	571	325.6%
• Non-Public Riders as Percent of Total	13.5%	13.9%	(2.7%)
Type I and II Special Needs	180	67	169.5%
Total Riders (Type I and II)	18,180	4,183	334.7%
• Per Active Bus	96	84	14.4%
• As a Percentage of ADM	116.2%	87.4%	33.0%

Source: Ohio Department of Education T-1 and SF-3 reports

Note: Percentages may vary due to rounding

As shown in **Table 5-1**, LLS D's FY 2004-05 ADM was 231 percent higher than the peer district average. It should also be noted that LLS D encompasses 67 square miles compared to the peer average of 31 square miles which causes the District's buses to traverse a greater number of miles. LLS D transports 116.2 percent of its ADM on yellow buses compared to the peer district

average of 87.4 percent. Also, LLSD's non-public riders equate to 15.5 percent of its ADM while the distribution of public and non-public riders is comparable to the peer district average. LLSD does, however, transport three times as many special needs riders as the peer district average.

In March 2004, the Board issued a request for proposals (RFP) for the provision of pupil transportation service. The RFP outlined specifications, requirements and conditions for furnishing the services. On July 16, 2004, LLSD entered into a Transportation Agreement (the Contract) with Petermann, Limited (Petermann or the Contractor) to provide transportation services to District students. Services included: providing buses and related equipment; supplies; maintenances and repairs; bus routing; recruitment and training of employees; insurance; and record keeping and reporting. The Contract is effective from August 1, 2004 until July 31, 2010; however, the Board may elect to terminate it in any July beginning in 2007 with 60 days notice to Petermann. By entering into the Contract, LLSD's primary goal was to replace its aging fleet with new buses provided by the Contractor. In addition, LLSD wanted to increase routing efficiency in a period of steady enrollment increases, while providing excellent service to employees, students, parents and the community. The Business Manager is responsible for overseeing the contracted transportation services (see **R5.2**).

According to Petermann, in FY 2004-05, LLSD provided transportation to 21 public sites and 32 non-public schools using 239 drivers and bus aides and 228 buses that traveled over 2.6 million miles. In FY 2005-06 drivers and bus aides decreased to 230 while the number buses decreased to 203. In January 2005, as a cost saving measure, LLSD ceased transportation services for high school students and students living within designated exclusionary zones (2 miles from a school). At that time Petermann estimated that a reduction in transportation services would save LLSD approximately \$724,000. LLSD continued with this reduced transportation service level until January 2006, when full transportation services were restored. Approximately 3,500 students were affected when services were reduced. According to Petermann, eliminating transportation services saved LLSD approximately \$1.3 million.

Table 5-2 compares basic demographic and expenditure data for LLSD and the peer districts.

Table 5-2: Transportation Expenditure and Demographic Data Comparison

	LLSD FY 2004-05	LLSD FY 2005-06	Peer District Average	Percent Variance FY 2004-05	Percent Variance FY 2005-06
District Square Miles	67.0	67.0	31	116.1%	116.1%
Average Daily Membership (ADM)	15,645	16,202	4,727	231.0%	242.8%
ADM Per District Square Mile	234	242	152	53.1%	58.6%
Total District Expenditures	\$121,882,349	\$126,226,718	\$36,417,466	234.7%	246.6%
Transportation Expenditures	\$12,541,944	\$13,979,434	\$2,289,155	447.9%	510.7%
As a Percentage of Total	10.3%	11.1%	6.3%	63.7%	76.2%
Transportation Costs Per ADM	\$802	\$863	\$484	65.5%	78.2%

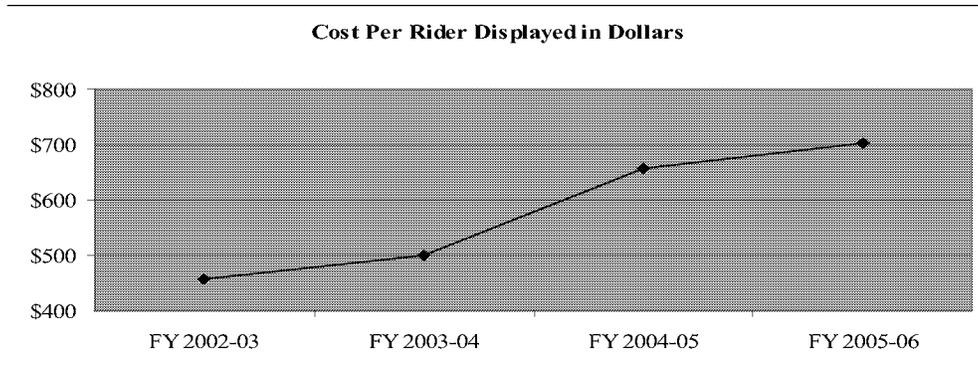
Source: LLSD personnel, LLSD BUDWORK Report, peer districts data

As shown in **Table 5-2**, LLSD allocated 10.3 percent of total District expenditures for transportation services in FY 2004-05 compared to the peer district average of 6.3 percent. For FY 2005-06, the second year of the Contract, transportation expenditures increased to 11.1 percent of total expenditures. LLSD transportation costs were also high when compared to the peer district average on a per pupil expenditure basis. For FY 2004-05, LLSD spent \$802 per pupil, 65.5 percent higher than the peer district average of \$484 per pupil. For FY 2005-06, LLSD's per pupil transportation costs were \$863. LLSD, however, may be in a unique position as the District transports an inordinate number of non-public riders. In FY 2004-05, LLSD transported 2,430 non-public students, 13.5 percent of total riders. These non-public riders are not included in the District ADM and drive up its cost per pupil ratio. If all riders are considered in the calculation, the cost per rider is about \$750.

It should be noted that LLSD is significantly larger in both district area and enrollment than the peer districts. As shown in **Table 5-2**, the square mileage of LLSD is 116 percent larger than the peer district average. The discrepancy is larger when comparing district enrollment levels. As noted earlier, LLSD's ADM as reported to ODE for FY 2004-05 was 15,645- 231 percent higher than the peer district average. For FY 2005-06, LLSD reported an ADM of 16,202, an enrollment level approximately 242 percent higher than the FY 2004-05 peer district average. As a result of its high student population, an added importance should be placed on LLSD's per mile, and to a lesser extent, its per rider operating ratios.

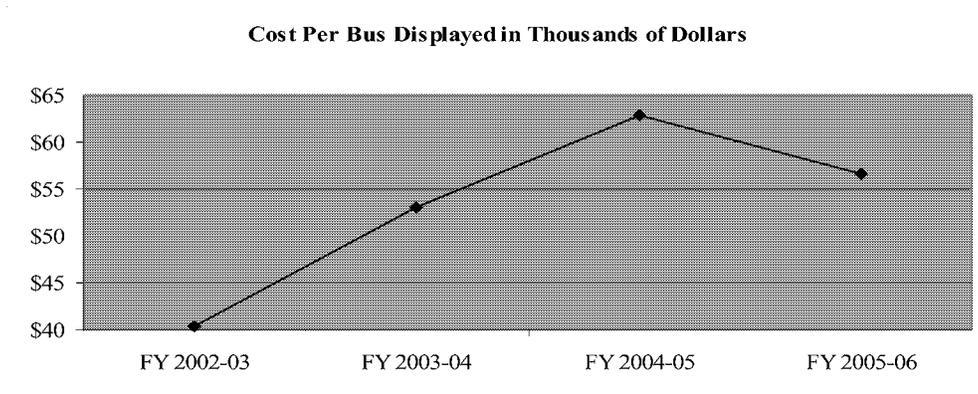
Prior to entering into the Contract, the former Superintendent asserted that doing so would save LLSD an estimated \$1.1 million over a three year period (FY 2004-05 through FY 2007-08). **Chart 5-1a** through **5-1c** display expenditure ratios for FY 2002-03 and FY 2003-04 (two years prior to the Contract), FY 2004-05 (the first year of the Contract), and FY 2005-06.

Chart 5-1a: LLSD Cost per Rider



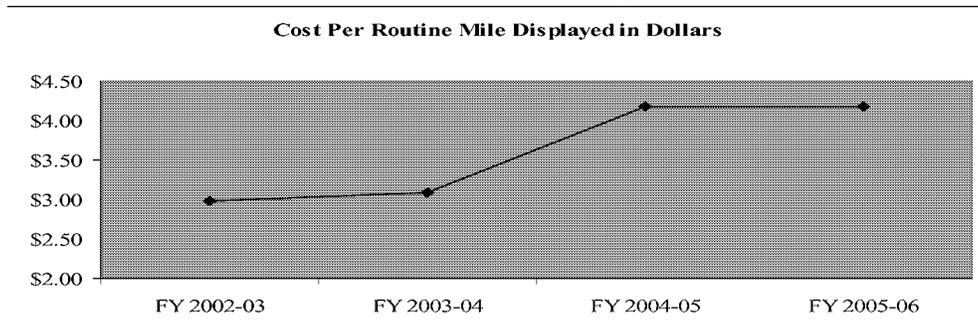
Source: LLSD T-forms

Chart 5-1b: LLSD Cost per Bus



Source: LLSD T-forms

Chart 5-1c: LLSD Cost per Mile



Source: LLSD T-forms

Student Transportation Funding in Ohio (LOEO, 2003) states that districts that contract for transportation spent, on average, 60 percent more per pupil than those districts that operate their own buses. LOEO examined the detailed spending for the contracting districts and found that some potential reasons for the higher operating figures include higher salaries and maintenance costs as well as contractor profit. In addition, some of the contractors' capital costs for bus purchase and lease were included in the contracting districts' reports of their operating expenditures, making cost comparisons difficult. As shown in **Chart 5-1a** through **5-1c**, LLSD's cost per rider, cost per bus, and cost per mile ratios all increased significantly in the first year of the Contract. Although transportation costs increased in all three ratios examined, it is important to note that the success of the Contract should be analyzed on a broader basis than cost, as LLSD received benefits such as new more efficient buses, improved training of employees, and improved safety for student riders. The Contract stipulates that Petermann agrees to ensure that all new drivers attend the Company's basic CDL training that includes training in both defensive driving and pupil management. Continuing education is also provided for all drivers and mechanics. In addition, Petermann added a full-time Safety Trainer in the first year of the Contract.

According to ODE, school bus contractors providing route service for public schools must complete a T-2C Form and submit a signed original to their public school district prior to July 15 each year. The district is then required to enter that data onto its T-2 Form to report Type II (contractor) expenses. FY 2004-05 and FY 2005-06 expenses in **Table 5-3** combine expenditures reported by LLSD on its T-2 Form and those reported by Petermann on the T-2C Form to present total service costs. **Table 5-3** displays LLSD transportation costs by line item as a percentage of total transportation costs for FY 2003-04, the last year the District provided in-house transportation services, and FY 2004-05, the first year of the Contract.

Table 5-3: Cost Composition: In-House vs. Contracted

	FY 2003-04	Percent of Total	FY 2004-05	Percent of Total	FY 2005-06	Percent of Total	Three Year Percent Change
Supervisor	\$196,147	2.2%	\$118,432	1.0%	\$103,199	0.8%	(47.4%)
Secretary Clerk	\$97,537	1.1%	\$381,355	3.3%	\$293,538	2.2%	201.0%
Regular Driver Salaries	\$4,389,920	49.3%	\$4,703,073	40.4%	\$3,667,101	28.0%	(16.5%)
Substitute Driver Salaries	\$283,821	3.2%	\$473,648	4.1%	\$701,357	5.4%	147.1%
Total Drivers	\$4,673,741	52.5%	\$5,176,721	44.5%	\$4,368,458	33.4%	(6.5%)
Bus Attendant Salaries	\$0	0.0%	\$482,805	4.1%	\$921,273	7.0%	N/A
Mechanic	\$376,113	4.2%	\$349,321	3.0%	\$315,313	2.4%	(16.2%)
Mechanic Helper	\$94,579	1.1%	\$66,730	0.6%	\$46,421	0.4%	(50.9%)
Total Mechanic	\$470,692	5.3%	\$416,051	3.6%	\$361,734	2.8%	(23.2%)
Retirement	\$769,328	8.6%	\$719,811	6.2%	\$801,018	6.1%	4.1%
Workers' Compensation	\$0	0.0%	\$24,567	0.2%	\$861,133	6.6%	N/A
Employee Insurance	\$1,490,183	16.7%	\$1,968,309	16.9%	\$1,964,156	15.0%	31.8%
Physical Exams and Drug Test	\$860	0.0%	\$13,728	0.1%	\$19,583	0.1%	2,177.1%
Certification and Licensing Cost	\$21,185	0.2%	\$5,111	0.0%	\$29,549	0.2%	39.5%
Training (All)	\$4,509	0.1%	\$81,490	0.7%	\$212,523	1.6%	4,613.3%
Total Personnel	\$7,724,182	86.7%	\$9,388,380	80.7%	\$9,936,164	76.0%	28.6%
Maintenance and Repairs	\$326,663	3.7%	\$566,469	4.9%	\$986,963	7.5%	202.1%
Tires and Tubes	\$69,081	0.8%	\$70,221	0.6%	\$100,543	0.8%	45.5%
Fuel	\$536,905	6.0%	\$657,583	5.7%	\$974,195	7.5%	81.5%
Bus Insurance	\$203,983	2.3%	\$424,570	3.6%	\$220,366	1.7%	8.0%
Maintenance Supplies	\$14,117	0.2%	\$39,925	0.3%	\$29,370	0.2%	108.1%
Facility Rent Cost	\$0	0.0%	\$0	0.0%	\$11,931	0.1%	N/A
Utilities	\$32,950	0.4%	\$77,434	0.7%	\$66,562	0.5%	102.0%
Bus Lease Cost	\$0	0.0%	\$320,829	2.8%	\$502,576	3.8%	N/A
Other	\$0	0.0%	\$92,013	0.8%	\$246,573	1.9%	N/A
General Operations Subtotal	\$1,183,699	13.3%	\$2,249,044	19.3%	\$3,139,079	24.0%	165.2%
Total Type Expenditures	\$8,907,881	100.0%	\$11,637,424¹	100.0%	\$13,075,243	100.0%	46.8%

Source: LLSLD FY 2003-04 and FY 2004-05 T-2 Forms and FY 2004-05 T-2C Forms

¹Total Expenditures excludes one time purchase of 10 buses in July 2004 for \$612,849 and Petermann's under reported amount of \$320,871 on T-2C

As illustrated in **Table 5-3**, the percentage of total transportation expenditures allocated to general operations increased from 13.3 percent in FY 2003-04 (in-house service) to 19.3 percent in FY 2004-05 (first year of the Contract). Conversely, personnel decreased from 86.7 percent of total expenditures in FY 2003-04 to 80.7 percent in FY 2004-05. Specifically, maintenance and repairs increased from 3.7 percent of total expenditures in FY 2003-04 to 4.9 percent of the total in FY 2004-05. In addition, bus insurance increased in the first year of the Contract and accounted for 2.3 percent of the total transportation expenditures in FY 2003-04 compared to 3.6 percent in FY 2004-05. As previously noted, pursuant to the Contract, Petermann is responsible for most personnel costs, bus maintenance and repairs, supplies, insurance and buses. In addition,

it should be noted the number of buses and students transported increased from FY 2003-04 to FY 2004-05 by 5 and 267 respectively. However, Petermann was able to decrease total routes by 14.

Also shown in **Table 5-3** is a significant increase in bus lease expenditures. In FY 2003-04, LLSD did not incur any bus lease costs, as all buses were owned by the District at that time. Pursuant to the Contract, Petermann provided 35 new leased buses to LLSD. As a result, 2.8 percent of total transportation expenditures were allocated to bus lease costs in the first year of the Contract.

In accordance with the Contract, LLSD employs a secretary, the mechanics, and the mechanic helpers, while Petermann employs a transportation supervisor and the regular and substitute drivers, and is responsible for benefits associated with those employees. As with personnel costs, Petermann is responsible for all general expenditures with the exception of fuel costs. Although the District closely monitors fuel prices, an expansion of LLSD's fleet, as well as, rising prices caused fuel expenditures to increase 81.5 percent in the three-year period displayed.

The Transportation Department consisted of 272 employees dedicated to transportation functions in FY 2005-06. Nine of these employees, including the seven mechanics and two secretaries, were employed by LLSD. Petermann employed the remaining 263 including bus drivers, aides, substitute drivers and aides, a supervisor, and managers.

Table 5-4 compares ridership data and total Type I and Type II expenditures to the peer districts for FY 2004-05. **Table 5-4** also illustrates LLSD and peer average active buses and annual routine miles traveled.

Table 5-4: FY 2004-05 Ridership and Total Expenditure Data

	LLSD FY 2004-05	Peer District Average	% Variance FY 2004-05
Riders	18,180	4,183	334.6%
· Type I Regular Needs	18,000	4,116	337.3%
· Type I Special Needs	149	67	123.4%
· Type IA	0	1	N/A
· Type II Regular Needs	0	0	N/A
· Type II Special Needs	31	0	N/A
Buses ¹	239	61	291.8%
· Active	190	50	280.0%
· Spare	49	11	349.5%
Annual Routine Miles ²	2,865,444	576,684	396.9%
· Per Bus	11,989	9,469	26.6%
Total Expenditures ³	\$11,958,296	\$2,298,188	420.3%
· Per Rider	\$658	\$549	19.7%
· Per Bus	\$50,035	\$37,675	32.8%
· Per Routine Mile	\$4.17	\$3.99	4.7%

Source: Ohio Department of Education

Note: Figures include both regular and special needs-related expenditures for Type I, IA, and II riders.

¹ Includes spare buses because these contribute to overall operating expenditures.

² Excludes non-routine miles because related expenditures are non-reimbursable.

³ Includes total expenditures reported on the T-forms for the transportation of Type I, IA, and II riders.

As shown in **Table 5-4**, LLSD transportation expenditures are higher than the peer district average on all ratios displayed despite contracting for transportation services. In FY 2004-05, LLSD expended \$658 per rider, a level that exceeded the peer average by 19.7 percent. Similarly, LLSD's per bus expenditure amount of \$50,035 was 32.8 percent higher than the peer district average. LLSD expenditures were, however, comparable to the peer district average when displayed on a per mile basis. LLSD's per mile expenditure level of \$4.17 per mile was 4.7 higher than the peer district average of \$3.99.

Table 5-5 summarizes key expenditures ratios in four categories for LLSD and the peer district average. The categories include personnel, maintenance and repairs, fuel, and bus insurance. Expenditure totals for each category combine expenditures reported by LLSD on its T-2 Form and those reported by Petermann on the T-2C Form to present total costs.

Table 5-5: LLSD vs. Peer District Key Expenditure Categories

	LLSD FY 2004-05	Peer District Average	Percent Variance FY 2004-05
Personnel ¹	\$9,388,380	\$1,758,543	433.9%
· Per Rider	\$516	\$420	22.8%
· Per Bus	\$39,282	\$28,829	36.3%
· Per Routine Mile	\$3.28	\$3.05	7.4%
Maintenance & Repairs ²	\$676,615	\$147,213	359.6%
· Per Rider	\$37	\$35	5.8%
· Per Bus	\$2,831	\$2,413	17.3%
· Per Routine Mile	\$0.24	\$0.26	(7.5%)
Fuel	\$657,583	\$178,738	267.9%
· Per Rider	\$36	\$43	(15.3%)
· Per Bus	\$2,751	\$2,930	(6.1%)
· Per Routine Mile	\$0.23	\$0.31	(26.0%)
Bus Insurance	\$424,570	\$55,831	660.5%
· Per Rider	\$23	\$13	75.0%
· Per Bus	\$1,776	\$915	94.1%
· Per Routine Mile	\$0.15	\$0.10	53.0%

Source: ODE, LLSD and Peer District T-forms

Note: Percentages may vary due to rounding

¹ Includes salaries and wages, as well as retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.

² Includes maintenance, repairs, maintenance supplies, tires, and tubes.

As shown in **Table 5-5**, LLSD's fuel expenditures were 15.3 percent lower per rider, 6.1 percent lower per bus, and 26 percent lower per routine mile when compared to the peer district average. Of all expenditure line items displayed in **Table 5-5**, fuel purchases are the only costs paid directly by the District. All other line items displayed are the responsibility of Petermann. It is important to note that fuel expenditures was the only line item that was lower than the peer district average in every cost ratio displayed. All other expenditure amounts, with the exception of maintenance cost per routine mile, significantly exceeded the peer average. Although LLSD has no direct control over any expenditure but fuel purchases, the District has options available to potentially lower these expenditures (**R5.1, R5.2, R5.3**).

Noteworthy Accomplishments

During the course of this performance audit, the following best or recommended practices were identified within LLSD:

- LLSD has a website designed to communicate transportation related information to students, parents, employees, and the community. The website provides specific student information such as bus stop locations, pick-up times, safety, and disciplinary information. The website also provides transportation request forms for non-public and high school students, bus stop appeal forms for parents, contact information and other important updates. Providing a website dedicated to transportation issues facilitates community access to information while also providing guidance to riders and parents.
- LLSD installed cameras on its buses to provide safe and secure transportation to its students. The National School Safety and Security Services states the most pressing concern about safety on school buses typically involves student behavior and associated school bus discipline. With cameras installed on 70 buses, an additional 50 buses with the capability of using 7 mobile camcorders, and Petermann's addition of permanent cameras to new buses, LLSD is able to monitor student behavior and provide a safer transportation environment.

Assessments not Yielding a Recommendation

In addition to the analyses in this report, assessments were conducted on areas within the transportation section which did not warrant changes and did not yield recommendations. These areas are discussed below:

- **Student Walking:** LLSD is comprised of mostly rural land with few sidewalks leading to the school buildings. In addition, many of LLSD's school buildings are surrounded by roads with speed limits of 55 miles per hour which would make walking unsafe. For those reasons, LLSD has not encouraged students to walk to school as a way to promote health.
- **Routing:** LLSD uses Edulog routing software to create and maintain routes. In addition, LLSD employs multi-tier bell systems, cluster stops, and does not permit buses to drive on cul-de-sacs to further enhance routing efficiency and bus utilization.
- **Fuel Consumption:** LLSD, through Petermann, uses a Gas Boy 1000 system to ensure the integrity of its fuel inventory. The system requires an ID number from any individual obtaining fuel and entry of the vehicle number and current mileage. The system also provides consumption reports, monitors fuel levels, and has leak monitors on the two in-ground tanks.

- **Purchasing:** LLSD, through Petermann, requests fuel bids from three vendors in order to ensure the lowest current price for fuel purchases. In addition, the Transportation Director requires the tanks of buses to be topped off in order to drain the District's fuel tank when fuel prices are expected to decrease. In FY 2004-05, LLSD's fuel expenditures were \$.23 per mile 25.8 percent lower than the peer districts average of \$.31 per mile.
- **Bus Fleet:** As a result of the Contract which provides LLSD with 35 new leased buses per year, the District's bus fleet is comprised of primarily newer buses with an average age of 4 years. In addition, the median bus is model year 2003. In FY 2004-05, LLSD's spare bus ratio of 20.5 percent was consistent with the best practice range of 20 to 25 percent. With the reinstatement of high school transportation and the exclusion zones in FY 2005-06, LLSD's spare bus ratio of 13 percent was significantly lower than the best practice criterion of 1:4. The overall age of LLSD's fleet, however, may allow the District to operate with a lower spare bus ratio than the benchmark range.

Recommendations

Transportation Contract Management and Monitoring

- R5.1 LLSD should establish benchmark thresholds for operating and productivity ratios such as: cost per mile, per student, and per bus; riders per bus, per route, per mile; number of trips/routes per employee; vehicle miles per maintenance employee; annual bus miles per annual maintenance expense and annual bus miles per gallon of fuel. LLSD should assess contractor performance against these performance standards and ratios and District expectations.**

LLSD should periodically assess operating ratios against established performance benchmarks to ensure that quality and cost efficiency remains consistent with established goals. In addition, a performance measurement system should be established prior to an extension, renewal, or request for proposals for a new transportation contract.

LLSD established informal goals and benchmarks for transportation performance upon entering into the Contract. According to the Business Manager the first goal was to ensure a smooth transition from in-house transportation services to those provided by Petermann. Another goal was routing efficiency. Although this goal is performance related, the District did not establish operating ratios with which to compare routing efficiency to prior periods. LLSD, however, did note that despite adding over 500 students in the first year of the Contract, Petermann routed the District without adding any buses. The final goal LLSD established was a focus on effective customer service. LLSD has attempted to measure this goal by conducting an annual survey.

Best Practices for Contracting Services (NSAA, 2003) states that organizations should develop performance requirements that will hold vendors accountable for the delivery of quality services. Performance requirements should clearly state the services expected and clearly define performance standards and measurable outcomes. In addition, the NSAA recommends that the agency identify how vendor performance will be evaluated and include positive or negative incentives. In order to properly assess service in comparison to the performance standards, staff should be assigned the responsibility for monitoring vendor performance (see **R5.2**). Furthermore, the NSAA recommends that, after contract completion, the agency evaluate the contractor's performance against a set of pre-established, standard criteria and retain this record of contract performance for future use.

GFOA also encourages governments to use performance measures as an integral part of the budget process. The lack of formal performance benchmarks leaves LLSD without formal goals or performance measures with which to assess the cost efficiency and

effectiveness of the services provided under the Contract. For example, cost ratios would allow LLSD to assess performance in key areas of transportation services such as driver hours, salaries and maintenance, all of which are controlled by Petermann and factored into the agreed upon contract price.

R5.2 LLSD should formally assign the responsibilities of coordinating and monitoring the transportation Contract to a specific LLSD employee(s), or if necessary, staff the position with an individual from outside the District. A formal contract monitor should ensure compliance with Contract terms and performance expectations, aid in the identification and resolution of problems, and make suggestions for improvement.

Since the inception of the Contract, the Business Manager has been responsible for coordinating services and overseeing the contracted transportation operations along with his other responsibilities. The Business Manager indicated that the time dedicated to transportation has fluctuated dramatically with the implementation of exclusion zones, reduced services and the subsequent reinstatement of those services. As a result, the Business Manager was unable to determine the amount of time he spent on transportation or contract monitoring. As such, it is difficult to determine how much time the Business Manager or other employees will need to oversee the transportation contract and operations in future years. In addition, the Business Manager resigned during the course of this audit and the District is actively recruiting for a replacement.

NSAA notes that to properly monitor a contract, an agency should ensure that the contract manager (or employee) has the authority, resources and time to monitor the contract. In addition, the agency should ensure that the contract manager possesses adequate skills and the necessary training to properly manage the contract.

In FY 2004-05, LLSD expended 10.3 percent (\$12.5 million) of its total expenditures on transportation functions. In the first two years of the Contract, LLSD has not shown evidence of monitoring these services to ensure it receives the services for which it contracted. By not formally designating a contract manager and outlining the specific responsibilities, LLSD runs the risk of incurring additional expense as a result of inefficient transportation services brought about by lax controls and monitoring. In addition, lack of monitoring may result in transportation services falling below standards outlined in the Contract and benchmarks created by LLSD (see **R5.1**).

Pursuant to Section 12 of the Contract, LLSD can terminate the Contract starting in July 2007. In addition, Section 17 of the Contract requires LLSD to notify the Contractor of any deficiencies in writing and allows Petermann 30 days to correct. Finally, Section 20 of the Contract allows the Contractor and the Board to extend or otherwise modify the terms of the Contract in whole or in part as circumstances may justify. The lack of

contract monitoring and active contract management increases the risk that LLSD may not identify breaches of the Contract, poor performance, or other problems that should be rectified. In addition, without a formally designated contract manager, LLSD may not identify potential changes or modifications that are needed in future contracts.

- R5.3 LLSD should require Petermann to provide monthly performance and compliance reports to District administrators. The reports should be used to ensure operational efficiency, compliance with the terms of the Contract, and optimal levels of service (see R5.1). These reports should display all facets of transportation operations, including, but not limited to, cost and ridership data, as well as preventive maintenance and fuel purchase information.**

Furthermore, the District should consider realigning the contractual compensation to match the District's transportation goals and objectives while still acknowledging the Contractor's profit motives. A better alignment of compensation with operational goals and objectives will help to ensure an efficient and effective transportations operation.

Pursuant to Section 18 of the Contract, Petermann is to provide timely reports and records which may be reasonably requested by the Board, including, but not limited to, those which may be necessary for proper payment, evaluation of Company performance, to provide the Board information regarding the number and location of school-aged children residing within LLSD, or any reports required to be submitted by the Board to any governmental board.

Also, according to Section 14 (d) of the Contract, during the first year, the parties shall meet quarterly to review the operation of the program and explore methods by which the benefits of cost reduction measures may be shared between Petermann and the Board. In subsequent years, the parties will meet annually to discuss the same. According to the Board meeting summaries, Petermann has provided transportation updates to the Board on two occasions since the inception of the Contract. LLSD administrators could not provide operating or expenditure reports from Petermann. According to Petermann, the District does not routinely request financial or operating reports. Therefore, the District has not shown it is effectively reviewing or monitoring invoices and the underlying expenses from Petermann for accuracy. During the course of the audit, the District stated that it would require Petermann to supply reports detailing route hours, maintenance data and student trips.

According to the *Contract Management Manual*, (Voinovich Center for Leadership and Public Affairs, 2001), routine performance measurement lies at the core of contract management. The following three types of vendor reporting are recommended:

- **Fiscal Performance** – provides monthly comparison of projected billing amounts per the contract to actual billing based on invoices, including year to date amounts and detailed explanations for variances;
- **Service Delivery Performance** – provides monthly reporting to measure the efficiency of the vendor’s efforts by reviewing the quantity, i.e., number of students transported, and quality, i.e., percentage of courteous and timely pick ups of the District’s students; and
- **Output-Effectiveness Performance** – provides monthly reporting to measure effectiveness of the service results by reviewing the quantity and quality of outputs.

In FY 2004-05, LLSD expended \$658 per rider, 19.7 percent more than the peer district average. As previously stated, the primary factor for compensation in the Contract is the number of bus routes. Amounts paid by LLSD to Petermann are derived on a daily (per route) basis. As per route payment amounts are held steady by the contract, the only method for reducing LLSD’s per rider expenditures is by decreasing the number of routes through increased utilization rates (**R5.4**).

R5.4 LLSD should closely monitor its Contractor’s routing and ridership data and require the Contractor to increase the utilization rate to the national benchmark of 66 percent. The District should frequently assess the Contractor’s route times and ridership data by bus to ensure that it is receiving optimal performance under the contract. The District should monitor ridership censuses throughout the year, and continuously examine the Contractor’s efforts to achieve a ridership rate comparable to 144 students per bus. This ridership rate would allow LLSD to direct the Contractor to consolidate routes without materially impacting the quality of the services.

As shown in **Table 5-1**, LLSD had a utilization rate of 96 students per bus and an average operating cost per bus of \$50,035 in FY 2004-05. LLSD operates a three-tier routing system, meaning a majority of buses run three routes in the morning and afternoon. A majority of LLSD and Petermann buses have a 72 passenger capacity as designated by the manufacturer. This capacity designation assumes 3 students per seat with 24 seats (72 riders).

According to *School Bus Seating Capacity* (National Association of State Directors of Pupil Transportation Services, 1999), the typical school bus seat is 39 inches and generally is considered to have a maximum seating capacity of three. This capacity rating is not meant to be a measure of the absolute capacity but rather it is the rated maximum capacity determined by the manufacturer. In practice, school buses transport students of various sizes, from pre-school to high school students. An integral part of providing safe

transportation in a school bus is that the passenger be properly seated. While a 39 inch seat may safely accommodate three pre-school children it may not safely accommodate the same number of older children.

Most transportation directors agree that it is not reasonable to assume a bus could provide service comfortably and safely with three students per seat, particularly in the case of high school age riders. Therefore, a more accurate capacity assumption for a 72 passenger bus would be 48 riders (two per seat). LLSD could choose this approach and assume two riders per seat for a bus utilization goal of 144 on a three tier system. LLSD should, however, be cognizant that an increase in bus utilization may result in increased ride times for some students.

To optimize bus routing, LLSD should perform a comprehensive review of the route sheets used by the Contractor and the Contractor's ridership data to ensure accurate mapping and determine route efficiency. The District should direct the Contractor to review the number of bus stops and the time required for each stop in an effort to reduce overall route time and increase the number of students per stop and per bus. The size and type of bus assigned to each route should be appropriate for the route and the number of students transported, including the routes serving special needs students. In future contracts, LLSD should specify that the Contractor is to achieve an average ridership rate of 66 percent.

In FY 2004-05 LLSD transported 18,180 students on 190 active buses operating at approximately 32 riders per-bus, per-tier. By increasing the utilization to 144 students per bus (48 per tier), LLSD could reduce the total number of buses needed to provide transportation to 126 (18,180 / 144) resulting in a reduction of transportation costs.

Financial Implication: Increasing the utilization rate to 144 students per bus would enable LLSD to eliminate approximately 64 buses and would save the District \$3.2 million annually based on FY 2004-05 expenditures of approximately \$50,000 per bus.

R5.5 The Board should ensure that Petermann complies with Section 10(b) of the Contract which requires the Contractor to submit a report detailing driver hours on a monthly basis. LLSD should use this report to ensure that staffing hours used to establish the payment structure outlined in the Contract mirror actual average hours worked by bus drivers. In addition, LLSD should track driver hours on a yearly basis to include in payment amounts for amended or future transportation agreements. The District should also use this data for verification of any overtime hours worked.

Pursuant to Section 7 of the Contract, bus drivers and substitute bus drivers are employees of Petermann and are under the bargaining agreement reached with

Petermann. However, there are stipulations in the Contract (Section 10) formed between LLSD and Petermann which detail compensation and guaranteed hours captured in the per route expense paid by LLSD to Petermann. This section states that:

“(a) Petermann shall receive, for providing the service as described herein, 12 equal payments beginning on August 1, 2004 based on the projected service requirements determined by the Board. The Board shall compensate Petermann at a rate of \$842,878 per month. This monthly rate is based upon operation of 189 daily routed buses at a daily rate of \$289.00 per bus per day for Board-owned buses and \$329.00 per bus per day for Petermann provided buses, with a 4 percent annual increase in September of each contract year. In the event that more than 189 daily routed buses are required to provide the service, the Board shall compensate Petermann for such additional daily routed buses at the rates provided for in this paragraph. The 178 days specified in Paragraph 10(b) includes five calamity days, and should the five calamity days be exceeded, the Company shall provide the services for any makeup days at no additional cost to the Board.

(b) The compensation described in paragraph (a) above is further based upon a minimum of 178 days, operating a total of 227,756 hours annually, excluding extracurricular hours. Total driver hours in excess of 227,756 will be billed at \$29.75 per hour. Petermann will provide the Board with a monthly report listing the total driver hours for the month and the cumulative total driver hours to the date of the report.”

According to LLSD and Petermann officials, this report is not being provided to the District. As a result, District administrators have not been provided any information related to driver hours. By receiving sporadic updates from Petermann during Board meetings, LLSD does not have the opportunity to review and analyze the supporting documentation and runs the risk of paying for inefficient or ineffective transportation services.

The rate structure outlined in the Contract is based on a number of factors including estimated driver hours. By failing to monitor driver hours, LLSD may end up paying a higher per route price in future transportation agreements. For example, the price structure outlined in the Contract for providing bus service is based on drivers working 6.77 hours per day. According to the list of drivers and hours provided during the audit, bus drivers worked, on average, 6.31 hours per day in FY 2005-06. As a result, LLSD paid for an estimated 15,910 hours (6.77-6.31 hours*189 routes*183 days) that were not worked. An assessment similar to this should be used in any future amendments of the Contract or negotiations of a new contract.

Financial Implication: As a result of not reviewing actual driver hours, LLSD paid for an estimated 15,910 additional hours by entering into the Contract. According to Petermann’s FY 2005-06 T-2C, total drivers salaries were \$3,667,101. The estimated average salary per hour was \$17.83 based on Petermann’s reported total payment for drivers’ salaries. Using the estimated average hourly salary and the estimated additional hours that were paid but not worked, LLSD overpaid \$283,676.

R5.6 LLSD and Petermann should develop and implement standard operating procedures (SOPs) to ensure that all qualifying transportation expenditures are submitted to ODE for reimbursement and that all data reported on the transportation forms (T Forms) is accurate and timely. Moreover, formal SOPs will help to ensure the District receives the appropriate level of State reimbursement and T-Forms are completed in compliance with ODE instructions.

LLSD does not have a formal process by which T-forms are completed. As stipulated in the Contract, Petermann is responsible for the completion and submission of the T-forms to ODE. Prior to the submission of these forms, the Transportation Supervisor contacts the Assistant Treasurer to ensure the accurate representation of District expenditures. However, comparisons of the FY 2004-05 T-forms to the District's Schedule of Expenditures by Function and Object Categories for the General Fund (Statement Q) of the Annual Financial Report (4502) noted a variance for the total transportation expenditures. Petermann submitted a T-2C form to ODE which underreported the contractor's costs by approximately \$321,000, an amount that was not included in the \$9.1 million total expenditures submitted to ODE.

The District/Contractor arrangement has resulted in a structure with two separate entities maintaining records and reporting expenditures for transportation services. As a result, it is especially important for LLSD to create and adhere to formal policies and procedures to ensure accurate T-form reporting. In addition, expenditure reports should be submitted by Petermann to LLSD on a monthly basis to be reconciled with the District's expenditure amounts (see **R5.3**).

According to Ohio's Legislative Office of Education Oversight (LOEO), accuracy problems for transportation-related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. LOEO states that the first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of T-forms.

Without formal processes and procedures governing the completion, review for accuracy, and submission of T-forms to ODE, LLSD runs the risk of submitting inaccurate expenditure or ridership data which could adversely impact its State reimbursement and annual funding levels. Inaccurate T-forms could also delay reimbursement from ODE to the District, or result in the District receiving a smaller reimbursement than it is entitled to for transportation services provided.

R5.7 LLSD should continue to negotiate with Petermann to reduce the bus replacement schedule pursuant to Section 3 of the Contract. LLSD should establish criteria for the bus replacement plan based on age, mileage, condition, and operating and maintenance costs consistent with best practices. By reviewing and updating the

plan annually, LLSD could substantially reduce the cost of the Contract and plan for future costs.

Section 3 (c) of the Contract states that Petermann shall provide and lease to the Board, as part of its obligations, equipment which consists of new school buses as detailed in **Table 5-6**.

Table 5-6: Bus Replacement Pursuant to Contract

Year	Number of New Buses
FY 2004-05	35
FY 2005-06	35
FY 2006-07	35
FY 2007-08	35
FY 2008-09	35
FY 2009-10	35
Total	210

Source: The Contract

As shown in **Table 5-6**, in the six-year contract period, the District is scheduled to add 210 new buses. However, Section 3 (n) notes that for FY 2006-07 through FY 2009-10, Petermann and the Board can mutually agree on the needs of the District to determine the number of buses purchased in those years. During the course of the audit, LLSD negotiated to reduce the number of buses replaced for FY 2006-07 and FY 2007-08. Petermann has agreed to provide 15 buses in FY 2006-07 and 12 buses in FY 2007-08 (a total of 27) as opposed to the 35 buses outlined in the Contract. No changes were negotiated for FY 2008-09 and FY 2009-10.

During FY 2005-06, LLSD transportation services were provided on 133 District-owned buses and 68 Petermann owned buses. LLSD disposed of 5 buses in FY 2004-05 and 25 buses in FY 2005-06. According to the Contract, LLSD pays a rate of \$289 per bus per day to Petermann for operation of District-owned buses and a rate of \$329 per bus per day for Petermann-owned buses. Based on this rate structure, at the inception of the Contract, LLSD had to pay an additional \$40 per bus per day for each leased bus. In each subsequent year of the Contract, both rate schedules are to increase 4 percent annually, thereby increasing the difference between the two bus prices.

According to the National Association of State Directors of Pupil Transportation Services (NASDPTS), independent studies indicate that after 12 years of use, the annual operating costs of school buses begin to increase significantly and continue to increase each year thereafter. NASDPTS recommends replacing diesel buses after 12 years of operation. NASDPTS notes that the State of South Carolina uses a comparable mileage indicator of 250,000 miles. This is in contrast with the replacement schedule contained in Section

3(h) of the Contract which states that Petermann-owned buses will be replaced at 11 years of age with no mileage threshold or other factors included.

Decisions regarding bus replacement should be data driven and based on specific information, not just general guidelines or arbitrary rules. As an example, maintenance records and fuel costs per bus, in addition to age, are essential to determine which buses to keep or replace and should be used to project future maintenance costs when determining the number of buses to purchase or replace. Based on the NASDPTS criteria, it should consider replacing the highest cost buses to help reduce maintenance costs. In addition the District should consider the potential effect of model year loading (having a significant number of buses in the fleet from the same model year).

Using the NASDPTS criteria (replacing buses after 12 years of use or 250,000 miles) and using LLSD's enrollment projections, LLSD would need to replace:

- 14 buses in FY 2006-07;
- 6 buses in FY 2007-08;
- 4 buses in FY 2008-09; and
- 26 buses in FY 2009-10.

The above projection assumes buses incur mileage at each bus's respective annual average mileage for years prior to FY 2004-05 and enrollment increases at a rate consistent with the Board's projections. As stated above, LLSD has amended the replacement schedule to add 15 buses in FY 2006-07, and 12 buses in FY 2007-08.

Should LLSD and Petermann follow through with the agreed upon bus replacement schedule of 15 buses in 2006-07, 12 buses in FY 2007-08 and 35 buses for the remaining two years of the contract, LLSD would replace 1 bus more than needed in FY 2006-07, 6 buses more than needed in FY 2007-08, 31 buses more than needed in FY 2008-09, and 9 more buses than needed in FY 2009-10 for a total of 47 new buses more than may be necessary. In addition, LLSD would have a very new bus fleet. **Table 5-7** displays the projected average and median ages for the District's bus fleet assuming the bus schedule contained in the Contract is followed.

Table 5-7: Projected Bus Fleet FY 2009-10

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Number of Buses	239	236	242	246	251
Average Model Year	2002	2003	2003	2005	2006
Median Model Year	2003	2003	2003	2005	2006

Source: LLSD/Petermann Contract

As shown in **Table 5-7**, by the final year of the Contract, LLSD's average and median bus model is estimated to be 2006; meaning half of the District's buses would be four years of age or less. If the bus replacement schedule in the Contract is adhered to, LLSD may be replacing District-owned buses that are only nine years of age with leased buses, requiring the District to pay a higher daily rate.

Financial Implication: LLSD will have to pay an additional \$43.27 per bus in FY 2006-07 per day for each bus- an amount that will increase 4 percent in each year of the Contract. Therefore by adhering to the amended bus replacement schedule negotiated in August 2006 and the bus schedule outlined in the Contract for FY 2008-09 and FY 2009-10, LLSD would be paying an additional:

- \$7,789 in FY 2006-07
- \$56,687 in FY 2007-08
- \$320,044 in FY 2008-09
- \$411,748 in FY 2009-10

In total, LLSD could pay an estimated \$796,000 for the Contract period if the included bus schedule is implemented the District.

R5.8 Through negotiation, LLSD should require a bus idling stipulation be included in the Contract. An idling requirement would help to ensure the health and safety of its students, while reducing fuel consumption and expenditures. The idling requirement should include idling limits based on the bus type and outside temperature.

The Contract does not address bus emissions and idling. Although Petermann does have an internal idling or fuel conservation policy, LLSD has no authority to ensure that the policy is being enforced by the Contractor. Because LLSD is responsible for children's safety and fuel purchases, it should be cognizant of any potential health hazards and fuel savings. By not requiring stringent idling and fuel conservation practices in the Contract, buses could be using excess fuel and increasing LLSD fuel purchase costs, as well as contributing to student health hazards.

The U.S. Environmental Protection Agency's (EPA) Clean School Bus USA initiative encourages policies and practices to eliminate unnecessary public school bus idling. According to the Michigan Department of Education, school bus emissions should be kept to a minimum for the health and safety of students and adults. In addition, limiting emissions conserves fuel and is friendly to the environment. The Michigan Department of Education recommends that school buses limit engine idling time to the minimum possible. Further, when buses are at a school site and waiting to load or unload students, the engine should be immediately turned off and restarted only when ready to leave the

site. Exceptions may be necessary for some special education buses operating lifts and other specialized equipment and in situations where sufficient warmth for students cannot be achieved without running the engine.

Transportation Policies and Services

R5.9 LLSD should regularly review and update its transportation policies to ensure that current practices and the Board's expectations are reflected. Also, when reviewing the policies, LLSD should include community members and planners (e.g., developers, local government) to help the District better address community needs, plan for new growth, and anticipate the need for new routes.

Routes and stops are determined by Petermann, subject to the District's approval. In January 2005, as a cost saving measure, LLSD ceased transportation services for high school students and students living within designated exclusionary zones (2 miles from a school). LLSD continued with this reduced transportation service level until January 2006, when full transportation services were restored. However, LLSD's transportation policies did not reflect these changes in service. The District's transportation policies were last revised on October 27, 2003. By not periodically reviewing policies and procedures, LLSD could experience inefficient operations and a decrease in the quality of service provided to students by providing services that contradict those outlined in the policies and procedures.

According to *Key Legal Issues for Schools* (Association of School Business Officials, 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 experience. ASBO further recommends that school boards consider developing a policy review committee to identify issues and situations that should be considered for annual policy review. Such a committee should systematically review one-third of the district's policies each year and make recommendations to the board for revisions. Policy decision making, at its best, will lay out a vision for strengthening the relationships between schools and communities while establishing procedures for meeting a district's needs and creating benchmarks for its own success.

OPPAGA expands on policy review recommendations, stating that a district's transportation staff should conduct a systematic assessment of transportation needs to identify priorities and basic needs. The process includes consideration of all current and anticipated budget categories and potential areas of transportation cost savings, such as, reducing service and the number of courtesy riders, reducing the number of spare buses, realigning routes, and purchasing larger buses.

R5.10 LLSD should promulgate official policies and procedures for the identification and evaluation of hazardous areas that would require exceptions to the transportation policy. A formal policy would ensure the assessment of potentially hazardous areas using the same criteria, which would help to ensure all students are transported safely.

Under Board policy, LLSD may transport students who reside more than one mile, but less than the two-mile State mandated requirement, and students residing less than one mile from their assigned school in areas where hazardous traffic and/or road conditions exist as determined by the Superintendent. The District has identified hazards but does not have official policies or procedures for identifying hazardous areas that require exceptions to the transportation policy. According to the Business Manager and Transportation Coordinator, the identification of hazardous areas in the District is a cooperative effort based on experience and the discretion of the Transportation Director as well as input from the bus drivers. Different drivers, however, may have differing opinions; therefore, some areas that should be classified as hazardous may not receive that designation. In addition, LLSD does make bus stop appeal forms available on its website. The forms allow parents to request a new stop if it is felt the current bus stop poses a safety hazard.

The following key criteria are defined as hazard areas for bus routing in the Ohio Administrative Code (OAC) 3301-83-20 (I):

- Overpasses and underpasses;
- Construction projects;
- On-street parking areas;
- Traffic counts (density);
- Areas without curbs and sidewalks; and
- Railroad crossings.

The Butler County Engineer's Office (BCEO) maintains maps and other documents that could be used to assist the District in identifying road hazards along walking routes to its school buildings. The District could also use the report from the NASDPTS on bus hazard surveys to serve as a potential template for designing its policy and associated information. Likewise, it should work with agencies such as the BCEO and township officials to continue identifying and cataloging potential hazards. Since LLSD encompasses a rapidly developing area, it is crucial to obtain the most current hazard information for use in identifying and defining hazards for the routing software.

Petermann maintains and operates bus routing software for the District. The software, Edulog, has several forecasting capabilities for use in designing optimal runs and routes, given user defined hazard criteria. Once hazards are defined and evaluated, they can be added to the District's routing software and used in planning routes and ridership levels.

In addition, the software can help the District identify riders who may not be eligible under board policy and those who may still need transportation to avoid hazardous conditions. However, as the safety of students is paramount, accurate and complete data should be obtained and evaluated before making a determination.

Lack of formal policies and procedures for the identification and evaluation of hazardous areas may allow these areas to go undetected. Conversely, areas that are historically safe may be identified as hazardous. Developing formal procedures which provide standards for identifying, evaluating and reviewing hazardous areas would reduce the risk that LLSD fails to designate any areas that may otherwise be considered hazardous and increase the safety for its student riders.

R5.11 LLSD should consider developing policies that outline the manner in which fees are established for non-routine trips and the extent to which the fees will cover the cost of the service provided. LLSD should also charge back the cost of non-routine trips to the proper funds if usage emanated from a fund other than the General Fund. In addition, LLSD should require Petermann to provide detailed information and costs for extracurricular trips which have been included in its monthly invoice to gain a more accurate assessment of routine versus non-routine transportation costs.

LLSD's policy on field trips states that transportation costs for field trips that are part of the instructional program and do not involve overnight stays will be paid by the District. Field trips that are part of the school's extracurricular activities (such as band trips) and/or trips that involve overnight stays typically result in some expense to the participating student. Care will be taken by the administration that such trips do not proliferate to the point where the expense becomes a burden for parents.

According to the Assistant Treasurer, LLSD charges all extracurricular trips to the General Fund and does not charge non-routine costs to specific funds or users when applicable. As a result, the District is not able to accurately account for the non-routine costs associated with extracurricular activities under its Contract with Petermann. LLSD should consider the extent to which it could seek reimbursement for non-routine trips in accordance with ORC and Board policies. According to OAC § 3301-83-16, non-routine use of school buses is defined as transportation of passengers for purposes other than regularly scheduled routes to and from school. School buses may be used for non-routine trips only when such trips will not interfere with routine transportation services.

OAC § 3301-83-16 also states that no pupil charge may be made for transporting pupils to and from regular day classes and other educational field trips on school days. This applies equally to board-owned buses and privately-owned buses operated under a contract with a board of education. A fee not to exceed actual costs may be assessed for transportation to and from educational field trips on non-school days. This rule does not

apply to private transportation arranged for or by parents or other groups not related to the educating school board, or for transportation not required under ORC § 3327.01 and not provided for by the school board on a regular basis. In addition, a board of education can recover an amount not to exceed the actual operational costs associated with non-routine use of school buses, with the exception of field trips, that are extensions of the instructional program. These costs include the following, as reported on a district's T-2 form to ODE:

- Driver salary and benefits;
- Fuel;
- Maintenance;
- Service;
- Supervision; and
- Insurance.

Properly accounting for and charging non-routine costs back to the respective fund or department, helps the District better capture the costs of field trips and extracurricular activities. Effectively tracking and charging costs to respective funds can improve budgeting and increase accountability with more efficient management of department funds.

According to Section 11 of the Petermann Contract, LLSD receives 1,750 extracurricular/field trips runs per school year. Compensation for these extracurricular trips is included in the monthly payments made by the District. If the cumulative total of field trips reaches 1,750, Petermann will provide service for additional scheduled field trips at a rate of \$29.75 per hour per bus. Petermann is to provide a monthly report listing the number of field trips for the month and cumulative totals. When the cumulative total number of trips reaches 1,750 Petermann shall further list the hours for each trip over 1,750. In FY 2004-05, LLSD incurred 94,865 non-routine miles for extracurricular trips, but did not exceed the 1,750 runs established for extracurricular and field trips.

Aside from not requiring reimbursement or charging specific District funds for non-routine mile expenditures, the structure of the Contract does not promote an accurate accounting of the District's routine and non-routine transportation services for comparison to the peer districts and best practices. As shown in **Table 5-4**, LLSD's cost per regular rider of \$658 was 19.7 percent higher than the peer district average. However, the reported costs included expenditures for non-routine miles which are not included in the peer district average per ODE T-Form instructions. Including these costs in LLSD's total expenditures does not give a true representation of its routine transportation costs.

LLSD incurred 94,865 non-routine miles in FY 2004-05. This same year, the District's cost per routine mile was \$4.39. Applying this rate to the non-routine miles would give

an estimated cost of approximately \$416,500 for FY 2004-05. It should be noted that costs for non-routine miles were estimated based on information available. As such, actual non-routine costs may differ. This projection is illustrated in **Table 5-8**.

Table 5-8: Adjusted Cost per Mile

Total Expenditures	\$12,572,141
Total Routine Miles	2,865,444
Cost per Routine Mile	\$4.39
Total Non-Routine Miles	94,865
Estimated Cost of Non-Routine Miles	\$416,457
Total Expenditures Less Cost of Non-Routine Miles	\$12,155,684
Adjusted Cost Per Mile	\$4.24

Source: ODE T-Forms

As shown in **Table 5-8**, when the estimated costs for non-routine miles are subtracted from LLSD's FY 2004-05 total expenditures, the District would have an estimated cost per routine mile of \$4.24. This adjusted ratio provides a more accurate comparison to the peer districts because it does not include non-routine mile costs. In FY 2004-05, the peer districts expended, on average, \$3.99 per mile for transportation services. Using LLSD's adjusted cost per mile would result in a variance of 6.3 percent. It should be noted that data displayed in **Table 5-8** was projected using the cost per routine mile. In reality, the actual cost per non-routine mile may be higher than the routine cost per mile due to factors such as driver overtime.

R5.12 LLSD should actively explore available options to help reduce the costs associated with special needs transportation. LLSD should consider the following strategies in an attempt to reduce its special needs transportations costs:

- **Revise its individualized education plan (IEP) development process to include the transportation supervisor or designee to ensure all available options for transporting special needs students are considered.**
- **Actively promote the use of parent/guardian contracts. While parents cannot be required to provide transportation, LLSD can promote the use of these contracts.**

Transportation decisions regarding special needs students are routinely made by the parents and the Director of Special Services without input from the Transportation Department. LLSD's Transportation Department is not involved with the IEP development process unless there are unusual circumstances such as the child needing a feeding tube or physical restraints. The Transportation Director contends that LLSD has such a large population of special needs riders that it would be prohibitive to give individualized input on every IEP development case. The Business Manager agreed with

this and indicated that the parents of special needs riders are provided almost anything that is requested.

Table 5-9 shows that in FY 2004-05, LLSD's special needs transportation population included 98 riders on 10 special needs buses. These students were identified by their individual IEPs as needing specialized transportation that could not be facilitated on a regular needs school bus. The ratio of special needs students to special needs buses was 9.8:1.

Table 5-9: FY 2004-05 Special Needs Cost and Capacity Comparison

Special Needs	LLSD	Peer District Avg.	Variance
Total Costs	\$1,537,829	\$273,925	483%
Cost Per Bus	\$153,783	\$66,630	100%
Cost Per Rider	\$8,543	\$5,080	89%
Special Needs Buses	10.0	4.0	150%
Special Needs Riders	98.0	58.0	69%
Riders Per Bus	9.8	14.5	(32%)

Source: LLSD and peer district average ODE reported T1 and T2 information.

Table 5-9 also shows the peer district average for special needs costs, buses and riders in FY 2004-05. The ratio of LLSD's special needs riders per bus was 32.4 percent lower than the peer district average, with 4.7 fewer students per special needs bus. In FY 2004-05, LLSD spent \$692 per rider compared to the peer district average of \$549, which is a 28 percent difference, but with special needs costs per rider over \$8,500 the District is missing a potentially significant cost-saving opportunity by excluding the Transportation Department when making transportation decisions in IEPs.

According to ODE, providing pupil transportation and meeting the specific needs of students with special needs has become increasingly complex. Of the more than 1.3 million students transported at public expense, more than 48,000 are students with disabilities. Without involvement from the Transportation Department, LLSD's IEP development process leaves the District open to excessive special needs transportation obligations. While it is commendable that LLSD recognizes the value of parental cooperation, the District should actively provide transportation expertise and input on the most efficient and effective means of transportation. By leaving the decision up to the parents, transportation options may be agreed upon that involve excessive costs for LLSD and may not be the most efficient or effective option available.

School districts can negotiate parental/guardian contracts for the transportation of special needs students by following guidelines set forth in OAC 3301-83-21. According to ODE, most contracts are established on a per mile basis. The Board negotiates with the parent/guardian to set a mileage rate with resulting payments based on miles traveled.

Establishing and actively promoting parent/guardian contracts could help the District reduce special needs transportation costs.

As LLSD's transportation contract is based on a cost per route, any excess routes translate into higher transportation expenditures. Increasing special needs capacity to levels comparable to those reported by the peer district average would allow LCSD to effectively control a percentage of the District's transportation costs.

Financial Implication: If LLSD implemented one or more of the recommended options and reduced the special needs cost per student to be closer to the peer average of \$5,180 per rider, LLSD could save approximately \$330,000 per year, based on 98 special needs students transported.

R5.13 In order to maximize savings, LLSD should identify specific pick-up points comprising mostly non-public school students and determine if these stops can be eliminated by establishing payment-in-lieu of transportation agreements. The District may ultimately need to reconfigure routes to reduce the number of pick-up points, routes and miles traveled to achieve additional savings. The District would increase the efficiency of its transportation program if it established a higher number of payment-in-lieu of transportation agreements and appropriately re-routed buses, resulting in the ability to reduce the number of buses.

ORC § 3327.01, stipulates that a district's board of education is not required to provide transportation where it is impractical to do so by school conveyance (i.e., district-owned yellow buses). In determining whether transportation is "impractical," a board must consider the following factors:

- Time and distance required to provide transportation (ODE recognizes 30 minutes as a maximum benchmark);
- Number of pupils to be transported;
- Cost of related equipment, maintenance, personnel, and administration;
- Similarity or equivalence of services provided to other pupils who are eligible to receive transportation;
- Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and
- Whether other reimbursable types of transportation are available (e.g., Type-IV or payment-in-lieu).

Once a determination of impracticality has been made, the Board must offer payment-in-lieu of transportation to the pupil's parent/guardian. Payment-in-lieu riders and related-expenditures are classified as Type-IV on school district T-forms. According to the Ohio Attorney General, a board of education may declare transportation "impractical," and

make payments to parents/guardians in lieu thereof, only where the board has a legal obligation to provide transportation otherwise. Thus, a board may not declare high school transportation impractical due to lack of funds.

Table 5-10 compares LLSD's Type-IV (payment-in-lieu of transportation) riders and expenditures to the peer district averages.

Table 5-10: FY 2004-05 Payment-in-Lieu of Transportation Comparison

	FY 2004-05 Lakota LSD	FY 2004-05 Peer District Average
District Total Regular Riders	18,005	4,153
Total Type-IV (Payment-in-Lieu Riders)	5	42
Payment-in-Lieu Riders as Percent of Regular Riders	0.03%	1.01%
Total Type-IV Expenditures	\$344	\$6,056
Per Type-IV Expenditures per Rider	\$69	\$146
Number of LLSD Riders needed to bring in line with Similar Districts percentage	177	N/A

Source: LLSD and Peer District T Reports

Note: Totals may vary due to rounding

As shown in **Table 5-10**, LLSD had payment-in-lieu of transportation agreements with five riders at a cost of \$69 per rider. In contrast, the peer districts averaged 42 riders at an average payment of \$146 per rider. LLSD transports fewer Type-IV riders compared to the peer average. The higher number of non-public riders increases the likelihood that additional students and their parents may accept an offer of payment-in-lieu of transportation. The District transports 2,430 non-public students, which comprises 13.5 percent of its total riders.

By not actively promoting payment-in-lieu of transportation agreements to non-public riders, LLSD may be bypassing significant savings. In FY 2004-05, LLSD transported 2,430 non-public school students at an average per student cost of \$658 dollars. Compared to a payment-in-lieu of transportation rider which cost LLSD an average of \$69 per year, the District may be bypassing possible savings of \$596 per student.

Financial Implication: If LLSD was able to increase the number of payment-in-lieu of transportation agreements to the peer average of 48, it could save approximately \$26,000 annually.

Financial Implications Summary

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

Summary of the Financial Implications

Recommendation		Estimated Cost Savings
R5.4	Increase bus utilization rate to industry benchmark of 144 students per bus.	\$3,200,000
R5.5	Negotiate future contracts to reflect accurate drivers' hours.	\$283,000
R5.7	Revise the bus replacement schedule contained in Section 3(c) of the Contract.	\$796,000
R5.12	Reduce special needs per rider costs to peer district average costs.	\$330,000
R5.13	Increase payment in lieu of transportation agreements to peer district average.	\$26,000
Total		\$4,635,000

Appendix 5A: Employee Survey Responses

AOS administered a survey to LLSD employees to obtain feedback and perceptions concerning transportation services. 978 employees completed the survey; 866 of which completed the transportation section of the survey. Survey responses were based on a scale of 5 to 1: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. The average satisfaction result for the survey was 4.23. **Table 5-A1** illustrates the results.

Table 5A-1: Transportation Survey Results

Transportation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	No Opinion	Response Average
Effective communication of transportation policies and routes exist.	1% (8)	7% (57)	18% (156)	43% (374)	10% (84)	22% (187)	4.19
Effective coordination of routes and special trips exist between departments.	1% (7)	4% (33)	21% (178)	35% (301)	8% (66)	32% (281)	4.42
The transportation department provides timely transportation of students to and from school.	0% (4)	2% (18)	12% (108)	57% (495)	15% (134)	12% (107)	4.22
The transportation department provides timely transportation to and from special events.	1% (5)	3% (23)	16% (139)	43% (370)	11% (91)	27% (238)	4.42
The transportation department is effective in addressing complaints.	2% (19)	6% (54)	21% (184)	27% (236)	6% (50)	37% (323)	4.40
Transportation routes are completed with regard to the safety of the children.	1% (6)	3% (26)	19% (161)	40% (347)	12% (103)	26% (223)	4.37
Children arrive at school in a mindset conducive to learning.	1% (12)	6% (52)	25% (213)	44% (385)	9% (81)	14% (123)	3.97
The attitude, courtesy, and work ethic of the transportation department are positive.	1% (6)	4% (35)	20% (170)	43% (373)	11% (96)	21% (186)	4.24
Overall, the quality of all transportation services provided is good.	1% (5)	2% (21)	15% (134)	57% (497)	11% (92)	14% (117)	4.16
I am satisfied with the District's current transportation policies and procedures.	1% (9)	4% (37)	18% (154)	49% (428)	10% (85)	18% (153)	4.16
Safety rules and regulations are adequate and enforced.	2% (13)	9% (77)	20% (177)	41% (356)	9% (80)	19% (163)	4.04
Transportation vehicles are clean and well kept in appearance.	0% (0)	0% (4)	15% (130)	46% (398)	13% (112)	26% (222)	4.48
Safeguards governing the access and use of parts and inventory are adequate and regularly enforced.	0% (2)	1% (5)	22% (191)	26% (222)	6% (54)	45% (392)	4.73

Technology

Background

This section focuses on technology functions within the Lakota Local School District (LLSD or the District). The objective is to assess technology-related organization and staffing, planning and budgeting, policies and procedures, security, training, and hardware and software deployment. Where appropriate, recommendations for operational improvements are included. LLSD's operations are evaluated against best practices and operational standards from several sources. These sources include the SchoolNet 2004 Biennial Educational Technology Assessment (BETA) Survey¹, Florida's Office of Program Policy and Government Analysis (OPPAGA) *Best Financial Management Practices With Their Associated Indicators (2002)*, the Consortium for School Networking (CoSN), the Texas School Performance Review, the International Society for Technology Education (ISTE), TechSoup.org, eSchool News Online, and Tech Learning Magazine. In addition, Type 7 urban and suburban² districts with similar demographics (high median income and low poverty rates), high Ohio Proficiency test scores and low per-pupil expenditures were used as peer districts.³ Finally, AOS administered a survey to LLSD employees regarding technology services. Survey questions and results can be found in **Appendix 6-A** at the end of this section.

Organizational Function

LLSD's hardware and administrative technology needs are managed by the Technology Department (Department). The Technology Department oversees all aspects of the District's network and servers, as well as over 4,500 desktop and laptop computer workstations. The Department also provides computer and special service carts, printers, scanners, voice-recognition software (for hearing-impaired students), and special keyboards (for physically handicapped students).

¹ The BETA Survey is a voluntary self-reporting mechanism used for educational technology funding. AOS reviewed the results of BETA Survey in comparison to inventory lists and a separate AOS Survey where appropriate.

² As categorized by the Ohio Department of Education.

³ The ten districts used for peer comparisons include Avon Local School District (Lorain County), Aurora City School District (Portage County); Beavercreek City School District and Sugarcreek Local School District (Greene County); Forest Hills Local School District and Loveland City School District (Hamilton County); Kings Local School District, Mason City School District, and Springboro Community City School District (Warren County); and Granville Exempted Village School District (Licking County). LLSD originally was included in the peer districts as a high performing, low spending district. As LLSD is the client District in this report, its data was not included in the pool of peer districts.

In FY 2002-03, the District contracted with PricewaterhouseCoopers, LLC, to conduct an assessment (PWC Assessment Report) of its technology management. The report highlighted technology planning and budgeting functions, decentralization, user community relations, and general Department morale as areas for improvement. LLSD identified strategies for reorganizing the Department and addressing the recommendations.

During the reorganization, the Information Technology (IT) Director transformed the Department into a project-driven management system with a greater emphasis on communicating with LLSD users. The Director created three specialized functional divisions and a departmental budgeting team. The three divisions include Information Management (IM), which focuses on projects; Network Services, which focuses on infrastructure; and Desktop Support, which focuses on user service. Creating separate divisions helped better delineate responsibilities, minimize project distractions, and limit staff system access (to prevent sabotage and enhance security). The budgeting team is made up of the IT Director, Network and Systems Manager, and Information Management (IM) Supervisor. The team oversees timelines, reviews project expenditures and resources, and enforces zero-based budgeting.

LLSD has a three-year technology plan for FY 2002-03 through FY 2005-06, which was approved by the Superintendent and presented to the Board. The plan contains LLSD's educational and operational goals and strategies, and addresses areas such as software, professional development, staffing, network infrastructure, and curriculum standards for technology.

In reorganizing the Department, LLSD has made a concerted effort to capitalize on purchasing discounts. By grouping purchases under the authority of an experienced director, both the Department and District benefit from greater research and negotiation. LLSD employs numerous procurement strategies to maximize its resources and meet user needs. These include:

- Taking advantage of educational discounts for purchasing software use licenses;
- Using a county purchasing consortium for certain items;
- Negotiating a discount for Internet service;
- Using open source software to decrease price and improve flexibility; and
- Using volume discounts for purchasing hardware parts.

The Department also developed a service level agreement (SLA) which identifies the types of hardware and software the Technology Department will support. In addition, the Treasurer flags all technology-related purchases for review by the IT Director (see also **R6.12**). LLSD has policies to ensure privacy and the appropriate use of technology, and all Internet users (and their parents, if they are minors) are required to sign a written agreement that they will abide by LLSD's Internet policies.

Staffing

The current IT Director, hired in January 2004, has 22 years of experience in educational software and management systems. The IT Director reports to the Superintendent and his responsibilities include preparing long-term planning strategies, overseeing projects, developing the technology budget, controlling departmental expenditures, ensuring technical support, and collaborating with LLSD administrators to procure equipment and certain software. The IT Director has one Office Administrative Assistant and supervises 12 other employees in the three Departmental divisions:

Network and Systems Management provides network connectivity, security/intrusion protection, user account management, server support, file management, and third-party integration services. It is staffed with a manager, an engineer, and a user account manager. According to a new organizational chart provided by LLSD, the Department added an additional engineer to the staff for FY 2006-07.

Information Management (IM) focuses on managing projects related to the Pentamation applications software, third-party application interfaces, student assessment reporting, professional development training, and helpdesk support. During the course of the audit, LLSD made staffing changes in this division of the Technology Department. Initially, IM was staffed with a manager, a part-time data specialist, and two project managers. According to the IT Director, the FY 2006-07 IM division has a manager, a project manager, a full-time data specialist, and an application specialist. The Department also added an EMIS specialist and an elementary data specialist as new positions to the Department.

System Support manages inventory, installs software, repairs hardware, orders parts, and delivers on-site assistance. Staff includes a lead support manager and four support technicians.⁴ LLSD also has 21 teachers paid through supplemental contracts who function as building technology coordinators. The building technology coordinators respond to requests for technical assistance and lead in-service professional development training courses. In addition, high school students provide support service in the buildings.

Key Statistics

LLSD reported 18,567 users accessing its network in FY 2005-06, including students and most instructional, administrative and support staff. **Table 6-1** outlines the total number of users and the user-to-computer ratio.

⁴ LLSD provided AOS with several organizational charts during the audit with varying staff titles. Staffing updates have not materially affected AOS conclusions.

Table 6-1: User Community and User-to-Computer Ratio

	LLSD FY 2005-06	Peer Districts	Statewide
Computer Totals	4,523 ¹	13,428	345,383
Approximate Staff FTE	1,621	5,175	127,117
Enrollment	16,946	44,814	1,771,894
Total User Community	18,567	49,989	1,899,011
Total Users-to-Computer Ratio	4.1	4.3	5.5

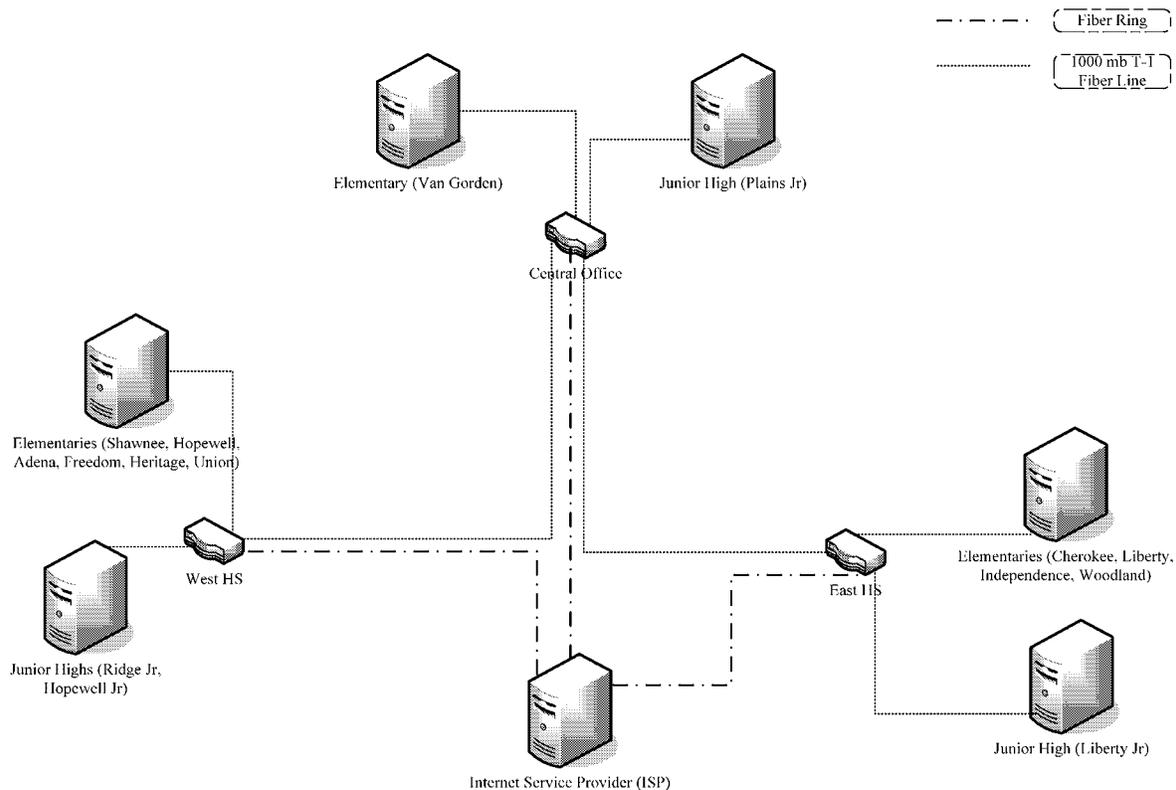
Source: 2004 BETA Surveys and LLSD updated computer count.

¹ LLSD computer count includes staff computers, which are imaged for administrative or instructional use only, and are not available for direct student access.

Table 6-1 shows that LLSD has a 4 to 1 user ratio for each computer in the District, which is lower than the peer districts and the statewide average. LLSD has more computers available per user than either the peers or the average within districts across the State. This allows greater access to technology-based administrative and instructional tools for District students and employees.

Diagram 6-1 illustrates the LLSD technology network architecture.

Diagram 6-1 LLSD Network Infrastructure



Source: LLSD IT Director

As shown in **Diagram 6-1**, the LLS D network consists of one router in the central office and one in each of the high schools that serve as hubs to connect the other buildings through T1 fiber optic lines. The routers manage Internet access which is contracted through an Internet service provider (ISP) to link the buildings together. By using multiple fiber optic lines and redundant routers, the system can maintain integrity in the event that specific lines or equipment fails. According to the IT Director, by FY 2008-09, 100 percent of the computers in the District will be replaced with newer models that include 512 megabytes (MB) of random access memory (RAM), as well as compact disc (CD) and/or digital video disc (DVD) burners. Since teachers actively take advantage of digital cameras and streaming video, these new technologies are contributing to a much greater use of the bandwidth. LLS D recently doubled its bandwidth to 20 megabits per second. LLS D uses a variety of operating systems including Apple 9, AppleX, Windows 2000, and Windows XP.

Financial Data

LLS D projected FY 2005-06 spending to increase over FY 2003-04. The increase reflects a decision by LLS D to allocate more funds for technology to address the PWC Assessment Report, the reorganization of the Department, and increasing student enrollment. Reasons for the significant changes in the individual categories are as follows:

- **Salaries/Benefits:** The Department reorganized in FY 2004-05. The reorganization entailed creating two management positions and hiring additional support system technicians. Growth in this line item is budgeted to increase 4.4 percent in FY 2005-06.
- **Purchased Services:** LLS D contracted for the repair and maintenance of building printers in FY 2005-06. Services and costs will be reviewed at the fiscal year end to determine cost-effectiveness.
- **Supplies and Materials:** Spending fluctuated partly due to larger staff, centralization, and the continued rapid expansion of LLS D's enrollment.
- **Capital Outlay:** Increases are due to the rapid expansion of student enrollment, which requires increases in computer equipment to maintain State standards for student access to technology. In addition, LLS D began the process of replacing aging computers and other hardware to address its long-term technology needs.

Noteworthy Accomplishments

During the course of the performance audit, the following recommended or best practices were identified at LLSD:

- **Student Technical Assistance:** The LLSD Technology Department has implemented a program to use student support to supplement the technical response program. Using alternative means of providing technical support enhances users' technology-related experiences while maintaining a lower cost support program for the District. It also allows the District to capitalize on the heightened technology-related skills of today's students. For FY 2005-06, LLSD retained two high school students to perform basic technical support, including troubleshooting and routine installation procedures. Student workers were required to sign a contract (accompanied by the parent's signature) and, in return for their work, receive two hours of independent study credit. The use of students not only assists LLSD by providing low-cost support to staff but also prepares students for future work in technology-related fields by giving them practical experience. In the 2004 BETA survey, 20 percent of LLSD teachers responded that students provided technical support indicating that even outside the technical support student program, students tend to provide teachers with assistance. By developing an expanded formalized program, LLSD could benefit from low cost student technical assistance while providing the students with training on procedures and equipment. LLSD also uses student technical assistance during the summer. It employs high school students at \$10 per hour to assist in installation and preparation of new hardware. During the course of the audit, the IT Director indicated that he employed nine students in the summer of 2006 to assist in the first phase of the District Refresh program that consisted of installing 1,400 new computers. He also reported recruiting one student at East High School for FY 2006-07 to act as technical student support. In addition, LLSD arranged for a college intern from Miami University to perform support services in the seven secondary school buildings.
- **Service Level Agreement (SLA):** The IT Director has developed a SLA document that specifically identifies the duties and responsibilities of the Technology Department. The SLA describes the Department's technical and financial obligations for servicing equipment across LLSD. The SLA identifies the software and operating systems that are supported by the Department, the hours of operations for technical staff, the procedures for reporting problems, and the security updates that will impact all networked users. The SLA serves to clarify the relationship between users and the Department, saving staff time from potential misunderstandings that might occur without such a detailed assessment of expectations.
- **Global Positioning System (GPS) Units for Staff:** The IT Director implemented a GPS tracking system for technology support staff that uses hand-held telephone units to record time and mileage. Upon activation, the unit begins to record the employee's time and tracks their movement. The IT Director estimates that, prior to GPS implementation, staff spent 30-

45 minutes per employee each week completing payroll and mileage forms. Because of the GPS system, the Department attained a savings of about one-half hour per week or about 2 hours per month per employee through increased productivity. Additionally, the units also reduce the risk of payroll error and fraud.

- **Student Information Access Portals for Parents and Teachers:** LLSA implemented two web-based products: the Teacher Access Center and the Web Grade Book that together provide remote access to grade books, attendance logs, and planning materials. The IT Director expects to implement an Edline software product over the next two years that will enable parents to access student information. This parent portal will allow enhanced web-based communication of student data and performance between teachers and parents. The goal is to increase communication between parents and LLSA in a cost-effective manner that is convenient for parents.
- **Online Credit Card Payment System:** LLSA is one of the first school districts in the State to offer parents a payment by credit card option for school fees. This system streamlines fee collection by providing parents with a shopping portal for making payments to LLSA. LLSA reports that feedback from staff and parent test groups has been positive, and resulted in cost savings from reduced administrative time and simplified payment options.
- **Zero-Based Budgeting:** The IT Director works directly with his IM Manager and Network Systems Manager to review projects in relation to the budget. Any decision to shift funding requires the inclusion and approval of the other two team members. In addition, in a process called zero-line budgeting, any increases in funding for projects or departmental items must be taken from another line-item in the budget so as to have no net effect on the budget.
- **Technology Steering Committee (TSC):** The IT Director works with an advisory body called the Technology Steering Committee (TSC) established by the LLSA Board based on the recommendation of the PWC Assessment Report. In addition to the IT Director, the TSC consists of the Assistant Superintendent, several administrators and building principals, and other staff members when appropriate. The TSC sets the overall technology direction for the District, reviews weekly and bi-weekly reports, and serves as arbitrator for disputes between the Department and the user community. The TSC also ensures financial considerations are included in project decisions. This provides a significant check-and-balance system that ensures more deliberation and greater research of alternatives in technology-related decision-making.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted in several areas that did not warrant changes and did not yield any recommendations. These are discussed below:

- **External Communications:** LLSD optimizes web technologies such as the Internet, and email to enhance communications. LLSD uses its website to offer information to parents and the community on a wide range of District topics, including student requirements, District forms, and policies. Parents can also obtain information on services, graduation and testing. District parents can also elect to receive email directly from the schools and teachers. Specifically, the elementary schools use email to send a monthly electronic newsletter to parents.
- **Internal Communications:** LLSD has developed an intranet to enhance internal communication. LLSD posts policies and procedural changes on the District intranet and sends out informational emails to its administrative employees to keep them up-to-date on any changes. The intranet offers significant technology-related information as well, including alerts, purchasing catalogs, asset management, training tools, support service troubleshooting guides, and technical service requests. LLSD also pursues a cost effective method for surveying its employees using email.
- **Donations:** LLSD has a policy regarding acceptable technology donations, which is published on its website. The policy specifies the procedures and the types of equipment that are acceptable for donations. Posting the guidelines eliminates confusion on what types of equipment LLSD will accept and ensures that donations are compatible with District infrastructure and long-term technology goals.
- **Technical Staff Organization:** The reorganization of LLSD's Technology Department has brought departmental organization in line with recommended practices. According to International Society for Technology in Education (ISTE), a technology department organizational structure is exemplary if all of the functions report through the same unit in the organization, providing for a logical chain of command and communication structure. The Department's organizational chart depicts an organization with clear lines of supervision and communication.
- **Professional Development for Technical Staff:** LLSD often locates free or low-cost technology-related educational opportunities and sessions by taking advantage of Southwest Ohio Instructional Technology Association (SOITA) and E-Tech programs. Whether for technical staff or all LLSD staff, these trainings provide opportunities for increasing technical knowledge. LLSD offers adequate opportunities to Department staff members to allow them to stay current with advancements in technology. However, LLSD could improve its efforts in professional development by creating a centralized technology professional development program for all staff, including the technical staff (see **R6.9**), with funding for technology as part of the budget(see **R6.10**).
- **Technical Expertise:** LLSD technology support staff has appropriate expertise for the described job functions. Employees within the IT Department meet job requirements and are

able to perform all of the job responsibilities. Each of the support technicians are Apple or Dell certified.

- **Technical Support Prioritization:** LLSD employs basic policies and procedures to ensure efficient and effective technical support. The Department uses an escalation process that includes the use of building-level support (building technology coordinators and high school students), online troubleshooting, and the work order request system. Support prioritization has also been helped by dividing the Technology Department into divisions so that network personnel are not interrupted for support issues. Furthermore, the intranet contains a technology section on that lists technical issues, software support, and alerts. The District also uses student workers in the summer and during the year to provide support during installations. Finally, a work order system assigns tasks to appropriate technical support personnel.
- **IT Controls:** The 2005 Information Systems Audit (ISA) recommendations are being addressed by LLSD. For example, in response to the audit, LLSD purchased and implemented ActiveDirectory, a password protection system, to prevent hacking and enhance security. After completion of audit fieldwork, the IT Director reported that LLSD manages a 3 TeraByte (TB) Storage Area Network (SAN) for file storage using Windows XP to automate administrator and teacher desktop back-up functions. A secondary Data Center at West High School serves as a remote back-up for nightly processes and as a disaster recovery site. LLSD had a Disaster Recovery Plan in place and the system was successfully tested in October 2006 according to the IT Director.
- **Computer Access:** All LLSD classrooms have a 10/100 MB connection to the District Ethernet and administrative offices and cafeterias have wireless connectivity at 10/100 MB. According to the 2004 BETA Survey, LLSD's overall ratio of students to computers was 4.5:1, which was below the peer district and the State ratios. Based on computer inventory counts provided by the LLSD Technology Department, the District significantly improved the ratio of students to computers since the 2004 BETA Survey, despite rapid growth in enrollment. The ratio of students to computers improved to 3.9:1. Based on either ratio, LLSD exceeds the State guideline of 5.0 students per computer, as well as the peer district and State ratios. Additionally, the 2004 BETA survey showed that LLSD exceeds the peer districts in providing teachers and administrators with remote access to shared drives and the Internet.
- **User Satisfaction:** The PWC Assessment Report identified the need to improve the relationship between the Department and the user community. The IT Director indicated user feedback is obtained through weekly meetings with building personnel and through quarterly staff satisfaction surveys. The IT Director also conducts periodic reviews of performance statistics at Technology Steering Committee (TSC) meetings. In addition, the BTCs are required to get additional feedback from teachers in their respective buildings. In

the 2004 BETA survey, 70.0 percent of LLSLD teachers agreed or strongly agreed that building leadership provided sufficient opportunities for technology training. This was higher than the State average of 62.0 percent and comparable to the peer district average of 71.6 percent. Also in the BETA survey, 91.4 percent of LLSLD teachers reported that technicians typically responded to service calls within five working days, which was comparable to the peer district average and above the State average.

- **Management Software:** LLSLD purchased and implemented Pentamation, a suite of student and financial management applications to manage payroll, financial, and student information. The software allows LLSLD to customize reports as well as integrates financial, HR, student information and fixed assets. The software reduced the need for redundant data entry. In addition, LLSLD expanded its application systems by adding additional web-based reporting which provides teachers with an integrated grade book, assignment, and attendance management system.
- **Security:** LLSLD established general controls over system access, systems development and maintenance, operations, and physical security that promote information technology security over data and hardware, as well as critical District systems. The District has a written ethical and proper technology use policy, and publishes computer safety information on its website. LLSLD also has standard controls in place for its technology systems including antivirus programs, a firewall, a spam filter, and a commercial package for ad ware.
- **Grants:** Grant-seeking is conducted by the IT Director, although it is not noted in the job description. The IT Director reviews educational technology websites for potential grant opportunities. In addition, the IT Director writes letters of support for teachers who apply for grants for peripheral equipment. The amount of time the IT Director spends on grant-seeking is comparable to the peer district average of 2.0 percent based on the 2004 BETA Survey.

Although LLSLD's grant funding displayed significant variability from FY 2003-04 to FY 2005-06, this is not unusual in the educational IT funding environment. On average, the District was able to obtain about \$102,000 per year. LLSLD received grant funding through the following grants: E-rate, Title II-D, SchoolNet Plus, and the SchoolNet professional development grant. Overall, LLSLD received grant funding at a level comparable to the peer districts.

- **Printing Options:** According to the IT Director, LLSLD supports only laser printers.⁵ As previously noted, LLSLD outsourced the maintenance and replacement of printing equipment for FY 2005-06. LLSLD will determine the cost-effectiveness of the Contractor's services in

⁵ Although the 2004 BETA Survey and District inventory reports lists a variety of laser and inkjet printers. the IT Director reports that the District no longer supports inkjet printers and those that remain are being phased out.

relation to estimated expenses. The service contractor helped LLSD identify overall spending on printing costs. Traditionally, printing costs had been combined with other office supply spending. Through the contractor, principals were asked to analyze printing expenses and evaluate the impact on the building budget. Since principals are now receiving an itemization of the costs, they are making changes, such as replacing or rotating printers, in order to reduce printing costs.

- **Data Acquisition Site:** LLSD acts as its own A-site, providing in-house services such as Internet access, email accounts, and network support. The Department provides account management, establishing a secure network with virus protection and filtering software for email and the Internet. The size and growth of LLSD necessitated the need to develop these in-house services. The IT Director reported that the Technology Department manages over 65 servers running UNIX, Windows (2000 or 2003), or Apple OSX operating systems supporting administrative or instructional applications and services.
- **High Technology Options:** LLSD has switched to an Internet Protocol (IP) telephony system for internal calls, resulting in savings on traditional telephone costs. LLSD is planning to purchase three routers that will allow it to use its fiber optic lines for multiple purposes to free up bandwidth.

Recommendations

Planning and Budgeting

- R6.1** LLSD should expand its technology planning beyond the Ohio ETech requirements to create a comprehensive District technology plan that meets best practices. Planning and funding decisions should be the result of collaboration with the community and the Board, as well as administrators, and technical, and building personnel. Direct funding should be committed to each technology plan goal, and these goals should be aligned with the District's strategic plan, continuous improvement plan, and budgeting process and procedures. The LLSD Board should authorize an annual needs assessment which should be used to update and prioritize projects prior to plan approval.

LLSD's FY 2003-06 technology plan through ETech includes consideration of project budgets, future capacity estimates, and a District-wide comprehensive needs assessment. As required by ETech, the LLSD plan is approved by the Superintendent and Treasurer; the Board does not approve the plan but receives a report on the submitted version. The IT Director reports that LLSD has a goal of annual updates to the technology plan; however, ETech does not require this and the three-year plan was updated only in 2004. The updates did not include financial estimates and AOS noted the plan's budget was not reflective of actual or projected District expenditures. During the course of the audit, LLSD finalized its FY 2006-09 technology plan which included a more comprehensive examination of the integration of technology into the curriculum. This plan, however, also focused on internal District stakeholders for input and again created budget estimates that were not consistent with past spending.

Furthermore, the District has not incorporated several elements into its technology plan as recommended by best practices. According to the IT Director, LLSD involved the Technology Steering Committee, building principals, technology teachers and the curriculum department in the development of the ETech 2005 Technology Plan. LLSD does not solicit or use external stakeholder input such as community members and parents in developing the technology plan. Its plan has also not specifically addressed a process for the identification of individual school technology needs and the equitable allocation of resources, (see **R6.7**), nor has it adequately addressed the comprehensive development and financial support of professional development for technology users (see **R6.9** and **R6.10**). Finally, LLSD's plan has not addressed maintaining technical support for users. (see **R6.5**). LLSD completed the plan in FY 2003-04 in a climate of financial uncertainty and the plan has not been updated to reflect the District's current financial condition.

LLSD's annual expenditures⁶ exceeded the technology plan estimates in FY 2004-05 and in FY 2003-04. No pattern appeared to exist to suggest any correlation between the budget and actual spending. This discrepancy indicates that the technology plan is not being used to guide LLSD technology spending.

Best Financial Management Practices with Their Associated Indicators (Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), 2002) recommends that school district technology plans encompass the following:

- Develop a board approved technology plan that addresses both administrative and instructional technology;
- Conduct an annual assessment to identify district and school-level technology needs;
- Solicit broad stakeholder input in the developing the plan;
- Identify individual school technology needs;
- Ensure an equitable resource allocation, anticipating growth, technology advancements, and funding;
- Develop professional development for technology users; and
- Maintain technical support for users.

Although LLSD has included several best practice elements in its technology plan, the items mentioned above are not included. These core elements are necessary for the seamless development of a plan that meets State and federal requirements and leads to action and results within a proactive, strategic planning framework. Failure to fully itemize and explain technology costs hampers the ability of external audiences to understand the link between current operations and costs associated with future projects (see **R6.3**).

Adequate funding is critical to the successful implementation of any strategic plan. LLSD should create alternative strategies based on historical trends and current relevant evidence when updating the technology plan. It should also periodically assess the actual technology expenditures and update the budget and plan as appropriate. Only by prioritizing needs and estimating costs, will LLSD be able to create a technology plan capable of addressing future funding uncertainties. In addition, tying the technology plan to the budget should help to focus attention on prioritized projects. Centralizing technology spending and updating the plan to reflect actual spending will also help to create a more detailed picture of District technology expenditures.

A technology plan should be a joint effort, including input from the Board, administration, teachers, and community and business leaders with expertise in the field.

⁶ A review of a FY 2006-09 Technology plan shows a similar pattern of financial estimates, which did not match expenditures.

By failing to allow stakeholders to review budgeting decisions and understand the costs and benefits of alternatives, LLSD misses an opportunity to invest the public in the discussion of District technology. By involving the community in the development of the plan, the District will earn greater support for technology-related projects during tight budgetary periods. LLSD should include the input of stakeholders, including community and business experts, in developing and implementing the technology plan.

Other school districts have created special committees to facilitate community involvement. Olentangy Local School District, for example, has a Technology Acquisition Subcommittee consisting of community members with expertise in different areas of technology. The Subcommittee helps examine processes in all areas of technology implementation, serving as a sounding board for questions, providing assistance in development and implementation, and continuously studying processes for improvement. Involving the community and individuals from various functional areas within the District to participate will allow representation and develop confidence in the transparency of spending and operations at LLSD.

R6.2 LLSD should adopt a systematic five-year replacement cycle to upgrade technology equipment. This will help reduce support costs and ensure adequate operational performance. Adopting a five-year replacement cycle for the upgrade of equipment should reduce support costs and ensure students have the most current technology available. Approving and enforcing a replacement policy will require LLSD to set aside funds annually for implementation. Investing in technology replacement will increase operational performance and enhance the learning environment.

LLSD has a three-year equipment replacement plan that was developed in 2005 for a one-time use. However, LLSD does not have a written replacement policy for technology equipment and has typically replaced equipment sporadically based on available funding. **Table 6-2** shows the FY 2005-06 computer inventory by building and age.

Table 6-2: Age of Technology Equipment

School	Number of Computers				Percent of Total		
	7 + yrs	5 to 7 yrs	0 to 5 yrs	Total	7 + yrs	5 to 7 yrs	0 to 5 yrs
Adena Elementary	63	111	17	191	33%	58%	9%
Cherokee Elementary	78	94	42	214	36%	44%	20%
Early Childhood Center	19	82	78	179	11%	46%	44%
Freedom Elementary	77	78	44	199	39%	39%	22%
Heritage Elementary	83	142	46	271	31%	52%	17%
Hopewell Elementary	104	136	32	272	38%	50%	12%
Hopewell Junior High	0	138	93	231	0%	60%	40%
Independence Elementary	61	84	58	203	30%	41%	29%
Lakota East High	103	227	108	438	24%	52%	25%
Lakota Freshman High	0	2	245	247	0%	1%	99%
Lakota Plains Junior	0	0	266	266	0%	0%	100%
Lakota Ridge Junior High	0	146	102	248	0%	59%	41%
Lakota West High	163	197	156	516	32%	38%	30%
Liberty Elementary	40	63	86	189	21%	33%	46%
Liberty Junior High	0	132	82	214	0%	62%	38%
Shawnee Elementary	38	94	20	152	25%	62%	13%
Union Elementary	38	48	26	112	34%	43%	23%
VanGorden Elementary	0	0	230	230	0%	0%	100%
Woodland Elementary	39	69	43	151	26%	46%	28%
Total	906	1,843	1,774	4,523	20%	41%	39%

Source: LLSD Technology Department

Table 6-2 illustrates that 20 percent of LLSD computers are 7 years or older and 41 percent are 5 to 7 years old. In total, 61 percent are over 5 years old. In contrast, 39 percent (1,774) of the District's computers are less than five years old. While the District has recently implemented a *Refresh Plan* for new computers, using funding from the November 2005 levy, the *Refresh Plan* was designed as a one-time, three-year plan to replace equipment. The Plan includes spending approximately \$2.4 million in the summer of 2006, and then \$1.0 million and \$1.1 million in the summers of 2007 and 2008, respectively. The Plan includes the 5 to 1 student-to-computer ratio as part of the goal-setting process. Despite the positive impact of the *Refresh Plan*, LLSD has not established a standardized and consistent replacement cycle to address the aging of the computer inventory.

ISTE recommends that school districts replace equipment according to a three to five year cycle, either by leasing or purchasing equipment. In *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001), it is suggested that districts replace computers on a regular schedule, usually every five years. The life cycle of even the most advanced multimedia computer is still only about five years. A replacement cycle reduces support costs and helps to ensure students will have the most

current technology available. If a replacement cycle is not implemented, equipment becomes obsolete, and staff time and costs for troubleshooting and support increase. In many cases, service agreements are for a three-year period and planning for technology replacements within this period can result in reduced repair costs for hardware.

During the course of the audit, LLS D announced that it would use funding to purchase and implement a set of thin-client technology units at an estimated cost of \$480 per computer. These machines will reduce licensing and servicing by centralizing computing power, applications, and storage with a simple client device (a terminal that is connected to the server and does not have its own hard-drive) that is easy to install and requires no hands-on maintenance. Despite these significant new purchases, without a replacement plan, LLS D may eventually fall back into the pattern of supporting aging equipment. LLS D already supports computers that exceed the normal replacement age. The District should develop a replacement plan that includes budgeting annually for the purchase and or maintenance of its computers. While the cost to implement the plan will be about \$434,000 annually, it will focus LLS D on annually assessing and updating the costs of replacing technology.

R6.3 LLS D should develop policies and procedures to capture the total cost of ownership (TCO) of District technology. The TCO should include the initial purchase price of hardware and software, as well as additional long-term costs. Additional costs stem from professional development, maintenance, operations, administration, replacements, upgrades, and retrofitting. TCO should be incorporated into the District's technology plan so that administrators and stakeholders understand the total financial implications associated with technology purchases or projects.

LLS D does not consider the long-term costs of running hardware and software beyond the purchase price. In the PWC Assessment Report, LLS D asserted that the TCO is difficult to assess due to vast differences in its computer equipment. One of the purposes of TCO budgeting, however, is to capture the potentially high, and often hidden, costs associated with the support of diverse machinery.

TCO includes the expenditures related to the equipment, ranging from the daily operational costs of maintaining and administering the system to the less conspicuous costs of professional development, replacement costs, training, retrofitting, connectivity and integration of the equipment, and upgrading machinery.

In *Technology Budgeting Basics* (TechSoup.org, 2000), it is estimated that only 30 percent of the TCO of a computer system is the initial purchase of hardware, software and peripherals. CoSN and Gartner developed a free web-based tool to help school administrators identify all direct and indirect costs associated with operating school networks to help ensure that they budget adequately to support technology investments.

While there is not one true number for TCO, the tool allows administrators to evaluate technology decisions with more complete financial information.

Using TCO, LLSLD could better determine when continued maintenance of older computers exceeds the cost of replacement. LLSLD can use TCO to determine the level of funding required to accurately budget for equipment purchases and associated costs. Fully itemizing and identifying the costs associated with maintaining and operating existing technology will provide information necessary to allow the Board, administrators, and the community to understand fully the costs of current operations and potential future projects.

R6.4 LLSLD should formally document evaluations and cost/benefit analyses for technology projects. While LLSLD uses several methods of research and includes internal decision-making groups to initiate projects and review purchasing decisions, documenting evaluations and analyses would ensure that equipment purchased is appropriate, low cost, and meets the needs of the District.

The IT Director and the Technology Steering Committee (TSC) make major technology decisions for the District, including project implementation and technology purchasing. The TSC facilitates discussion and oversight on project decisions and purchases, but acts as an advisory body and does not maintain written reports or documentation on its recommendations. In the absence of documented evaluation processes and decisions, the Board, staff, and community are not able to review the basis for certain technology decisions or ensure that all relevant aspects of cost and value have been included in technology planning and budgeting.

According to the *Forum Unified Education Technology Suite* (NCES, 2005), a school district should document technology recommendations in order to present key decision-makers in the organization with analysis -- even if the decision-making process is informal. The documentation serves as a check of the recommendation's viability and comprehensiveness. The material should give key decision makers all the information they need to make an informed decision. *Best Financial Management Practices with Their Associated Indicators* (OPPAGA, 2002) recommends districts use the results of research and the evaluations of previous decisions to identify technology that will best meet instructional and administrative needs. Without documented information on the evaluations and cost analyses for technology purchases, there is a risk the District may purchase equipment that is more costly and does not meet District needs or that the research is replicated unnecessarily. One method for conducting these types of analyses is through the use of TCO concepts (see R6.3). NCES suggests that the most useful format to prepare such documentation is a business project outline that includes the following elements:

- Statement of identified need;
- Objective and scope;
- List of potential solutions considered;
- Assumptions;
- Tangible and intangible costs;
- Tangible and intangible benefits;
- Recommendation; and
- Project plan and timeframe.

LLSD has developed a process for decision-making that includes informal processing of evaluative criteria. LLSD should create procedures that document the technology decision-making process and detail purchasing rationale. The Department should archive reports detailing these cost decisions, product research, and project reviews, in order to preserve the information for future decision-making.

Staffing and Organization

R6.5 LLSD should develop a staffing policy for technical support that includes a baseline ratio of computers to direct user support staff. The District should use this policy to guide decisions on the reallocation of staff to direct user support functions and the potential implementation of low-cost alternatives, such as additional high school student support and teacher coordinators to meet the established staffing goals.

LLSD relies on four full-time direct support staff in the IT Department to install software, repair hardware, order parts, and provide on-site assistance. LLSD uses a work order ticketing system that was designed in-house to allow computer support requests to be entered online. The system assigns tasks to appropriate staff in their assigned buildings. (Each support staff is assigned in the system to five buildings and the support manager assists three buildings.) If the requests become too numerous (25-30 requests per building), all support staff go to the particular building and address all the problems at that location. Teachers under supplemental contract with the Teaching and Learning Department provide limited computer software support by responding to calls in their assigned building. The building technology coordinators (BTCs) also provide instructional support during in-service days. Student interns handle non-critical projects and sometimes work on large projects, such as re-imaging machines. The use of teachers and student interns allows technical support staff to be freed from more routine tasks to focus their time on more sophisticated issues. In the 2004 Biennial Education Technology Assessment conducted by SchoolNet, LLSD teachers reported on who provides them with support in the classroom throughout the year. **Table 6-3** shows the responses of LLSD teachers, compared to peer districts and the State, regarding providers of technology support.

Table 6-3: BETA Survey Responses: Technology Support

Providers	LLSD	% of Total	Peer Districts	% of Total	Statewide	% of Total
Another teacher or myself	694	89.7%	1,927	97.8%	76,661	77.5%
Building level tech coordinator/tech	627	81.1%	1,969	100.0%	69,774	70.6%
District level tech coordinator/tech	563	72.8%	1,378	70.0%	60,993	61.7%
Community/ parent volunteer	8	1.0%	101	5.1%	1,678	1.7%
Student	156	20.2%	614	31.2%	25,310	25.6%
Vendor	4	0.5%	42	2.1%	1,651	1.7%
No one	2	0.2%	7	0.4%	746	0.8%
No computers in my classroom	12	1.6%	34	1.7%	3,223	3.3%

Source: 2004 BETA Surveys

Note: Teachers permitted to select more than one response caused total responses to exceed 100%.

Table 6-3 shows that LLSD had a higher reliance on themselves, another teacher or technology support staff to provide assistance than the peer districts. Results of the 2004 BETA survey showed that 89.7 percent of LLSD teachers relied on another teacher or themselves to solve technology problems, compared to 97.8 percent for the peer districts and 77.5 percent Statewide. In addition, 81.1 percent of LLSD teachers responded that they relied on a building technology coordinator, compared to 100.0 percent of peer district teachers and 70.6 percent Statewide. Finally, LLSD staff report a tendency to seek support directly from District level technology staff at a higher rate than peer districts.

Table 6-4 shows the ratio of computers to technology staff for the department personnel devoted to direct user support (4.0 FTE) and for the total district-wide staff devoted to direct user support (4.42 FTE).

Table 6-4: LLSD Computer-to-Technology Staff Ratios

School	Total Computers	Direct Support Technology Staff (4.0 FTEs)	District-wide Technology-Related Staff for User Support (4.42 FTEs)
Adena Elementary	191	47.8	43.2
Cherokee Elementary	214	53.5	48.4
Early Childhood Center	179	44.8	40.5
Freedom Elementary	199	49.8	45.0
Heritage Elementary	271	67.8	61.3
Hopewell Elementary	272	68.0	61.5
Hopewell Junior High	231	57.8	52.3
Independence Elementary	203	50.8	45.9
Lakota East High	438	109.5	99.1
Lakota Freshman High	247	61.8	55.9
Lakota Plains Junior	266	66.5	60.2
Lakota Ridge Junior High	248	62.0	56.1
Lakota West High	516	129.0	116.7
Liberty Elementary	189	47.3	42.8
Liberty Junior High	214	53.5	48.4
Shawnee Elementary	152	38.0	34.4
Union Elementary	112	28.0	25.3
VanGorden Elementary	230	57.5	52.0
Woodland Elementary	151	37.8	34.2
Total	4,523	1,131	1,023

Source: LLSD Technology Department

Note: Totals may vary slightly due to rounding.

As shown in **Table 6-4**, LLSD averages about 1,131 computers per Technology Department direct user support staff FTE. Adding the BTCs reduces the ratio only slightly to 1,023:1 since these teachers are only available to perform a limited amount of support. According to the *Technology Support Index* (ISTE, 2006), a school district is pursuing a best practice if the staff-to-computer ratio is less than 75:1 and an integrated rating if it is between 75:1 and 150:1. By either standard, LLSD falls far below the recommended ratios and is understaffed in direct user support. *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN) recommends that a TCO-savvy district can provide computer support at the ratio of one person for every 500 computers in a closely managed network environment. The latter criterion notes that these systems can tolerate higher ratios since the staff members are more centralized, achieving greater efficiency in time and productivity. LLSD still exceeds this ratio and again appears understaffed with personnel servicing nearly twice as many computers as recommended.

During the course of the audit, AOS conducted a survey of District personnel to determine their satisfaction with technology services. Sixty percent of respondents either disagreed or strongly disagreed that the number of technology personnel are adequate to provide support.

According to the Texas School Performance Review's *Innovative Solutions to Help Address the Issues and Challenges Facing Most Public School Districts (2003)*, it is important that districts set standards for information technology staffing such as a baseline for how many computers one technician can support. Technology planning should include the consideration of staffing as a resource allocation. In the absence of a baseline, LLSD administration lacks guidance on the proper staffing changes to reflect potential shifts in the student population, the number of administrative users, and the amount of equipment. The benefits of setting these standards include the equitable distribution of resources, fewer special requests, better budgeting capabilities, and fairer productivity standards. As LLSD transitions to a more closely managed network with uniform equipment (see **R6.6**), a replacement policy (see **R6.2**), and remote software reallocation (see **R6.7**), it may be better able to improve operational efficiency and operate with fewer staff. Until the transition occurs, LLSD may need additional staff to manage the existing inventory of computers.

If LLSD chose to match best practice criterion of 500:1 computer to direct technical support staff member, it would need 9 FTEs to service the 4,523 District computers. Since LLSD has a direct support staff of 4.4 FTEs (including departmental staff and BTCs), the District would need an additional 5 FTEs to sustain the recommended staffing ratio. The District could reduce this number by contracting for additional BTCs and expanding the student technical assistance program. LLSD could also choose to develop a staffing guideline that would establish a baseline of support and allow the District to evaluate user response needs based on a combination of technical staff and performance measurements.

Financial Implication: Hiring 5.0 FTE technicians would cost LLSD \$46,505 per person annually, including salary and benefits. The total annual impact for LLSD would be approximately \$233,000.

R6.6 LLSD should enforce its uniform equipment standards in order to reduce the maintenance costs associated with supporting diverse equipment. The enforcement of uniform equipment standards would help to reduce maintenance costs, increase organizational efficiency, streamline software purchasing, increase bulk purchasing discounts, and reduce training requirements.

LLSD has developed guidelines on the purchase of uniform equipment. The Service Level Agreement (SLA) identifies the standard office software and the operating systems

supported by the Department. Due to past purchasing practices, LLSD has a diverse equipment inventory consisting of multiple ages and brands of hardware. The IT Director reports that LLSD is moving to a uniform equipment standard using IBM compatible machines to replace the variety of older Apple machines. Budgetary constraints restrict LLSD from immediately replacing its inventory; however, in FY 2004-05, it replaced 450 machines, mostly administrative computers, with IBM compatible hardware. In FY 2005-06, LLSD began a three-year *District Refresh Plan* that will install 1,000 new machines and redistribute 300 salvaged machines to replace aging computers. By the third year, the District will have replaced all elementary school computers.

According to *Seven Cost-Saving Strategies for the IT Funding Crunch* (eSchool News Online, 2003), schools that standardize computer systems can reduce technology support and computer training costs. When all employees are working with the same software, it increases productivity between users, simplifies licensing, and makes training easier. When a district uses one computer model, it pays less per unit by using volume discounts does not need to stock as many parts, and does not need to support a variety of models. Also, according to *12 Steps to Trimming Your TCO* (Technology Management, 2001), hardware should be standardized as much as possible to reduce complexity. Technology Management further states that it is both easier and less expensive to support a limited number of applications and computing environments than it is to support several disparate systems. If end-users and technicians can be trained to work with a specific set of hardware, they will become familiar – and proficient – with the equipment in a shorter period of time. In addition, reducing the number of vendors can simplify and streamline hardware repair calls. Schools can also purchase spare computers that are interchangeable so end users can have replacement machines quickly. Until LLSD attains the uniform set of equipment, it faces additional costs due to additional support expenditures for running multiple systems. By ensuring that technology purchasing is centralized (see **R6.12**) and that future planning incorporates uniform equipment standards, LLSD can potentially reduce support costs.

R6.7 LLSD should develop a formal policy for maintaining an equitable distribution of computers across school buildings in the District in order to ensure all students have equal access to technology resources. Unless there is a unique educational program or need in a certain building, LLSD should consider the building inventories carefully when allocating new computer hardware. Any exceptions should be noted and reasons for the exceptions clarified.

The ratio of students to instructional computers at LLSD has improved significantly since the 2004 BETA survey, down from a ratio of 4.5 students per computer to 3.9 in FY 2005-06. While peer districts and the State show ratios with more computers available to students, the reduction in LLSD's ratio since FY 2003-04 suggests that the District has made progress in addressing and improving student access. LLSD's overall ratio is within

the State standard of no more than five students per computer. **Table 6-5** displays LLS D's student-to-computer ratio by building.

Table 6-5: LLS D Student-to-Computer Ratio by Building

School Buildings	Enrollment Count	Total Instructional Computers	Students-to-Computers Ratio
Adena Elementary	719	183	3.9
Cherokee Elementary	823	205	4.0
Early Childhood Center ¹	1,264	173	3.7
Freedom Elementary	657	192	3.4
Heritage Elementary	715	264	2.7
Hopewell Elementary	887	265	3.3
Hopewell Junior High	521	222	2.3
Independence Elementary	844	196	4.3
Lakota East High	1,712	403	4.2
Lakota Freshman High	1,320	217	6.1
Lakota Plains Junior	637	255	2.5
Lakota Ridge Junior High	670	237	2.8
Lakota West High	1,886	481	3.9
Liberty Elementary	595	183	3.3
Liberty Junior High	778	203	3.8
Shawnee Elementary	643	145	4.4
Union Elementary	583	106	5.5
VanGorden Elementary	939	223	4.2
Woodland Elementary	753	145	5.2
LLSD Total	16,946	4,298	3.9

Source: Lakota School District IT Director's Computer Count

¹ The Early Childhood Center student count is divided by two to reflect half-day attendance.

As shown in **Table 6-5**, the allocation of computers between the various buildings varies significantly at LLS D. Fewer students share computers in each of the junior high school buildings. Building computer ratios range from a high of 6.1 students per computer at the Freshman High School building to a low of 2.3 students per computer at Hopewell Junior High.

A component of technology planning for the placement of new computers has been to measure District allocation against the State standard of 5.0 students per computer. The *Refresh Plan* includes the installation of new computers at Union and Independence Elementary Schools and East and West High Schools. LLS D must weigh the factors of computer age, network compatibility, user access, enrollment projections, and State testing requirements when determining how to address computer allocation. The District appears to focus on the access ratio but should continue to pay close attention to all of these factors.

According to *SchoolNet Plus Grade 7 FY05 Application and Guidelines Document* (Ohio SchoolNet, 2004), a district should have a student-to-computer ratio goal of 5:1 in grades K-12. In *Best Financial Management Practices with Their Associated Indicators*, it is recommended that a district should ensure equitable distribution of resources among schools by linking each school's educational plan with the technology plan to ensure resources are budgeted to meet planning and curriculum needs.

As shown in **Table 6-5**, three of the District's buildings exceed the 5:1 ratio. While certain computers cannot be reallocated because of grant stipulations that specify location or physical barriers that restrict computer installation, LLSD should try to consider all factors in designing the allocation of resources. If LLSD does not equitably allocate its hardware throughout the different buildings, students and other users will not have an equal opportunity to benefit from District technology. This could cause a negative impact upon learning and potentially lead to internal discord.

R6.8 LLSD should implement formal technology policies for equipment disposal as part of a planned replacement cycle. Obsolete computers should be treated as hazardous waste and a policy should be established to ensure proper disposal methods are followed. A written disposal policy would help LLSD control inventory as well. Maintaining and storing outdated equipment can be wasteful and a standardized policy will ensure the timely disposal of obsolete equipment.

The LLSD Board has set an informal target of depreciating computers in five years and the IT Director reports that this is used as the target date for replacement. In practice, though, LLSD has used equipment until it is no longer serviceable. The IT Director determines which computers will be disposed of based on age and then forwards those items to a local hazardous waste vendor for disposal. LLSD uses a disposal company that offers a discounted rate and provides EPA certificates to confirm proper disposal of the obsolete computers. The District's SLA also describes the steps involved in transferring items for disposal. Although LLSD uses a low-cost means of disposal, the District has not developed formal criteria for technology equipment disposal nor included disposal as part of a regular planned cycle of replacement (see **R6.2**).

LLSD reports that disposal of some of the aging equipment held in District storage will be included as part of the replacement agreement contract with vendors supplying new equipment. LLSD has included disposal of older equipment as part of the RFP requirements for the *Refresh Plan*.

According to *Technology's Real Costs* (Electronic School, 1999), a school district should plan for the eventual retirement of older equipment because of the short life cycle of computers. In *Innovative Solutions to Help Address the Issues and Challenges Facing Most Public School Districts* (Texas State Performance Review, 2003), it is noted that

unwritten rules are simply no substitute for clearly outlined procedures. School districts need clear policies and procedures for the control of hardware inventories.

The absence of formal policies and procedures for equipment disposal leads LLSD to spend time, effort, and labor repairing old systems and supporting multiple systems. A written disposal policy ensures responsibility for the computer inventory and disposal of old machines in a consistent and appropriate manner. This reduces the risk for fraud from the misdirection of equipment and reduces the liability resulting from the improper disposal of potential hazardous waste.

Professional Development

R6.9 LLSD should capture its technology professional development (PD) expenditures to ensure they are considered in the TCO. By including PD in the TCO, LLSD would more fully capture the costs associated with maintaining older machinery. This information should be included in LLSD's overall assessment of technology-related expenditures in order to determine the cost of replacing or upgrading District technology and for general technology budgeting purposes.

Technology training costs for staff at LLSD are not captured in a centralized manner. LLSD offers technology professional development opportunities across the District but, because of collective bargaining agreements, attendance by teachers is not mandatory. While the majority of PD for technology is budgeted through the Technology Department, the Teaching & Learning (T&L) Department coordinates training through supplemental contracts with building technology coordinators (BTCs) through funds allocated from the General Fund. In FY 2005-06, 21 teachers served as BTCs, providing technical support and technology in-service training as part of the PD curriculum. The Technology Department also provides monthly training on Pentamotion systems and Windows Office software to administrative staff. In FY 2004-05, the Technology Department offered quarterly sessions for all staff, but LLSD cut funds for these sessions in FY 2005-06 due to budgetary constraints. After the conclusion of audit fieldwork, LLSD's Technology Director reported scheduling Windows XP and Outlook training for all staff members in June and August of 2006. Although LLSD provided AOS with a fall training schedule, the District tends to schedule training on an ad-hoc basis to reflect new software or hardware. Training should occur instead as part of a comprehensive ongoing technology skills PD program.

Technology's Real Costs (Electronic School, 1999), recommends that school districts budget for staff training so that teachers understand how to integrate technology into the curriculum, support staff stay informed on hardware and software improvements, and the district receives the maximum return on its investment. *A School Administrator's Guide to Planning for the Total Cost of New Technology* (CoSN, 2001) suggests that before

school districts can begin to calculate their TCO, they must first understand all the costs associated with operating and maintaining a computer network. By aggregating technology PD expenditures, LLS D will be able to develop a more accurate representation of the total cost of ownership and ensure that PD funds for technology are being expended in an effective manner.

R6.10 LLS D should create a comprehensive professional development plan for technology users. The plan should detail the ongoing training for staff members, describe technology core competencies, and establish a regular training schedule. LLS D should use individualized evaluations and programs to target staff for professional development and create specific training to address the areas in need of improvement. LLS D should establish these plans using in-house expertise and provide training either through online and in-house courses, or other low-cost training opportunities.

In FY 2004-05, LLS D used sessions offered by the Southwestern Ohio Instructional Technology Association (SOITA) to train the 450 users transitioning from Mac (and QuickTime) to Windows (and Outlook Express). The IT Director plans to continue to use these types of low-cost options, including Ohio ETech's classes, to provide two weeks of technical training for LLS D staff. Additionally, the District has scheduled free U.S. Department of Education training programs such as I-Safe that show teachers what is available and accessible to students on the Internet. **Table 6-6** shows the hours of PD training as presented on the 2004 BETA survey for LLS D in comparison to the peer district average and statewide totals.

Table 6-6: Hours of Professional Development Training

Hours of Training	LLS D		Peer District Total		Statewide Total	
	# of Teachers	% of Teachers	# of Teachers	% of Teachers	# of Teachers	% of Teachers
None	180	23.1%	430	18.3%	29,605	29.8%
Less than 5 hours	245	31.5%	859	36.6%	32,567	32.7%
5 - 10 hours	198	25.4%	658	28.0%	22,470	22.5%
11 - 15 hours	79	10.2%	198	8.4%	6,661	6.7%
More than 15 hours	76	9.8%	204	8.7%	8,228	8.3%
Totals	778	100.0%	2,349	100.0%	99,531	100.0%

Source: 2004 BETA surveys

Note: Totals vary slightly due to rounding.

As shown in **Table 6-6**, a higher percentage of teachers at LLS D reported that they had no training in FY 2003-04 than teachers in the peer districts. However, this percentage was lower in LLS D than the State average, indicating that fewer LLS D teachers receive no training when compared to the remainder of the State.

According to the *Technology Support Index* (ISTE, 2006), an outstanding organization meets the following technology PD 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 PD 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.

A comprehensive, ongoing technology PD program would ensure that LLSD staff members receive continuous training. This would help staff troubleshoot their own computer problems and free up technicians' time for more complex issues. It would also help to ensure the use of technology in a more effective manner in the education process. Financial considerations may constrain LLSD's ability to invest in new training programs.

While LLSD has been resourceful in finding cost-effective training opportunities for its employees, the District should develop a comprehensive technology PD plan that details ongoing training for staff members, describes technology issues, which will be considered core competencies, and establishes a regular schedule to provide ongoing courses. Developing a formal professional development program will keep staff and teachers up-to-date on use of the most current hardware and software available for instructional programs and completion of administrative tasks. Individualized programs will help identify staff training needs and ensure areas for development are not overlooked. Online training options could allow staff to complete training tests and modules according to individual schedules, thereby limiting scheduling conflicts. Additionally, an on-line training process would involve creating links to other training resources, compiling standard training materials, developing training modules in-house, and placing training information on the LLSD website. Creating and promoting web-based training will offer opportunities to staff that might otherwise be unable to access training resources.

Asset and Network Security

R6.11 LLSD should enhance the fixed asset database it uses to store information pertaining to each District computer by including specific details on purchase price, vendor, warranty type, warranty expiration, manufacturer, model type, serial number, software, and exact location. Keeping track of hardware and software is important for report generation, decision-making, and assessing the TCO. The recommended information is beyond what would normally be kept in a traditional inventory system. Without an accurate, detailed listing of technology resources, LLSD runs the risk of inaccurate assessments of technology assets or incorrectly projecting future costs for maintenance, upgrades, and disposal.

LLSD uses the Pentamation barcode tracking system for all fixed assets, including technology assets. According to the IT Director, the District plans to do semiannual audits in the future to reconcile actual equipment with the Pentamation database information and to verify the machine location.

According to *Thirteen Tech Support Strategies* (TechLearning, 2005), a district should develop a database that stores information about every computer, software title, and other piece of technology equipment on the school district campus. Keeping track of hardware and software is important for copyright enforcement, report generation, and most importantly, decision making regarding purchasing. *How to Manage Your Technology Assets Effectively* (eSchool News Online, 2001), recommends that the inventory tracking system be easy to update and that staff members reconcile information in the system with a physical inventory on a regular basis.

In order to address all the requirements for tracking ancillary costs associated with technology resources, LLSD must expand the information on equipment to include such items as warranty agreements, vendor identification, model types, and various location details. Knowing model numbers can assist, for example, in replacement cost estimates for identifying or replacing items from a certain vendor or with similar warranties. Without a detailed inventory system, LLSD could be unaware of missing components or those covered under a recall.

This technology inventory would also include a library of resources, including software titles, which would not be included in a traditional fixed asset inventory. By tracking these items, LLSD could eliminate the purchase of duplicate software, facilitate a sharing of resources, and develop of a better understanding of the expenditures occurring in this area. All of the newer machines should include software to assist inventory reconciliation and the system should verify each machine as part of the existing inventory when it logs onto the network. The Technology Department should work with the Treasurer's Office

to ensure the District's inventory is reconciled periodically and all necessary data for TCO and tracking purposes is recorded.

R6.12 LLSD should enforce its existing purchasing policies to ensure the Technology Department reviews and approves all purchases of software, hardware, and related technologies used for instructional and administrative purposes. LLSD's Technology Department should have the clear authority to review of all planned technology purchases to ensure compatibility with District software and hardware standards. Enforcing purchasing policies will improve communication between the Technology Department, District administrators, school buildings, and end users.

LLSD has not developed clear lines of accountability or specific mechanisms to ensure the technology purchasing policy is enforced across the District. Although LLSD is moving to a more centralized technology program, building administrators still make purchasing decisions independent of the IT Director. Approximately 20 percent of technology expenditures remain within the individual building budgets rather than the District budget. The IT Director has created written policies to eliminate the use of resources on purchases that cannot be integrated into the District's system. The SLA and software approval process also detail the types of hardware and software the Department will support; however, building leaders and curriculum staff have primary responsibility for selecting instructional software. The IT Director serves as an advisor on these purchases. All purchases related to technology are to be flagged by the Treasurer for authorization by the IT Director, but the Treasurer indicated that many items are not identified and the resulting purchases are not always compatible with the District's system.

OPPAGA recommends that major purchasing decisions reflect consideration of numerous resources including the strategic technology plan; the results of research and evaluations of previous decisions to identify appropriate solutions; opportunities for district personnel to preview, evaluate and recommend technology; and the establishment of standards for acquiring technology. Without requisite due diligence and research, LLSD risks implementation of hardware and or software that could increase costs, unduly delay the intended technological solution, and adversely affect other users of the network. Failure to centralize all technology decisions increases the likelihood that LLSD will purchase hardware or software that is not supported by current District technology or is not compatible with the District's planned use of resources.

Thirteen Tech Support Strategies (Tech Learning Magazine, 2005) suggests that school districts assign a point person to examine every purchase order for equipment and software before it leaves the district. The point person can ensure hardware standards are enforced, all purchased software will run properly, and software meets educational objectives. During the course of the audit, the Treasurer indicated that LLSD might

consider hiring a purchasing agent. If this happens, LLSD can use this individual to monitor technology-related purchases more closely. In the interim, LLSD should make appropriate changes to purchasing practices by adding technology identification requirements to purchasing forms or requiring Technology Department approval prior to purchase order submission to the Treasurer.

Financial Implications Summary

The following table lists annual implementation costs associated with the recommendations in this section. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Technology

Recommendation	Annual Implementation Costs
R6.5 Develop a staffing policy for technical support and increase the number of technicians	\$233,000
R6.2 Adopt a five-year replacement cycle	\$434,000
Total	\$657,000

Source: AOS Recommendations

Appendix 6-A: Employee Survey Responses

An employee survey was completed by 848 LLSD employees during the course of this audit. The purpose of the survey was to obtain employee feedback and, for this section, collect perceptions of customer service and other technology-related issues. The survey solicited responses to statements concerning technical support. Survey responses were based on a scale of 5 to 1 where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree. **Table 6-7** illustrates the results.

Table 6-7 Auditor of State Client Survey

Survey Questions	Client Results
Administrative Software	
1) Users know all major software functions used in their department.	
1) Strongly Disagree	3%
2) Disagree	15%
3) Neutral/Not Sure	14%
4) Agree	32%
5) Strongly Agree	6%
2) Software meets the needs of the users.	
1) Strongly Disagree	3%
2) Disagree	11%
3) Neutral/Not Sure	17%
4) Agree	34%
5) Strongly Agree	6%
3) Software is used effectively and efficiently.	
1) Strongly Disagree	3%
2) Disagree	13%
3) Neutral/Not Sure	17%
4) Agree	33%
5) Strongly Agree	7%
4) Users can get help when needed.	
1) Strongly Disagree	5%
2) Disagree	13%
3) Neutral/Not Sure	15%
4) Agree	31%
5) Strongly Agree	9%
Instructional Software	
5) Users know all major software functions used in their department.	
1) Strongly Disagree	4%
2) Disagree	18%
3) Neutral/Not Sure	19%
4) Agree	37%
5) Strongly Agree	6%
6) Software meets the needs of the users.	
1) Strongly Disagree	4%
2) Disagree	15%
3) Neutral/Not Sure	20%
4) Agree	38%
5) Strongly Agree	6%

Survey Questions	Client Results
7) Software is used effectively and efficiently. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 17% 20% 37% 7%
8) Users can get help when needed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	6% 17% 17% 35% 10%
All Users – Software Training	
9) Administrative/office software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	2% 12% 20% 32% 5%
10) Instructional / Classroom software training meets user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree.	4% 17% 22% 37% 5%
11) Training facilities meet user needs. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 16% 22% 40% 6%
12) Training programs are useful. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 11% 20% 47% 8%
13) Users feel more training is needed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 8% 19% 41% 21%
General Computer Operation/Data	
14) Computer systems are reliable. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 22% 17% 45% 5%

Survey Questions	Client Results
15) Speed of data processing is satisfactory. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	6% 18% 15% 52% 6%
16) Access to a printer is adequate. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 22% 12% 48% 10%
17) Systems contain accurate and complete data. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 10% 21% 52% 7%
18) Data from computer systems is useful for decision making or monitoring. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	3% 8% 24% 48% 7%
Technical Assistance	
19) Technical assistance department is easily accessible. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 26% 18% 37% 7%
20) Requests for assistance are answered in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 19% 23% 40% 7%
21) Computer repair services are easily accessible. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 25% 23% 33% 5%
22) Computer repair requests are answered in a timely manner. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	8% 22% 23% 36% 5%

Survey Questions	Client Results
23) Technology staff is able to solve hardware problems. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	4% 8% 17% 55% 11%
24) Number of technology personnel is adequate to provide support. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	24% 36% 14% 18% 3%
25) I am satisfied with the technical assistance provided by the District. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	9% 26% 24% 33% 6%
26) Electronic mail is widely used. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	0% 0% 2% 32% 65%
27) The Internet is used to access information. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 2% 7% 46% 41%
28) I use the District's intranet to access information or stay informed. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 5% 9% 51% 33%
29) District building administration supports the integration of technology into the curriculum. 1) Strongly Disagree 2) Disagree 3) Neutral/Not Sure 4) Agree 5) Strongly Agree	1% 5% 11% 45% 33%

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District Response

The letter that follows is the official response of the Lakota Local School District 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 disagreements were noted and supporting documentation was provided, revisions were made to the audit report as appropriate. In some instances, requested changes were not made because the information provided by the District did not support revisions to the recommendations or conclusions in the report. All areas where revisions were warranted were revised in the final report to reflect updated data provided by the District, even when that data was not provided until after the exit conference. Final recommendations, particularly those in the **transportation** and **technology** sections reflect the analyses, conclusions and recommendations based on the most recent data provided by Lakota LSD. These were discussed with District administrators in meetings held after the exit conference and reflect data cited by the District as accurate and complete.

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Mike Taylor
SUPERINTENDENT

February 8, 2007

Mary Taylor
Office of Auditor of State
88 East Boulevard, 5th Floor
Columbus, OH 43215

Dear Auditor,

The Lakota Local School District has received and reviewed the discussion draft of the Performance Audit.

We appreciate being selected as a district to review, and find the audit report to be comprehensive in its analysis of Lakota's business practices.

The Lakota Board of Education and administrative staff welcome the data, the comparisons to similar districts, and recommendations. We appreciate the finding of numerous "Noteworthy Accomplishments," including recognition of Lakota's cost-effectiveness and low cost per pupil while delivering an Excellent-rated education for our students. We also note that the audit shows Lakota's administrative staff as approximately one-third smaller than comparable districts (Lakota has 3.62 administrators per 1000 students, compared to a peer average of 5.18 per 1000 students).

Some of the recommendations mirror those identified through Lakota's strategic planning process. Others will help us to strengthen the district's practices and long-range planning. A number of recommendations are now being implemented.

This audit includes recommendations which offer a potential net reduction of about 4% of Lakota's total budget. Recognizing that the majority of those recommendations could involve a reduction in service to students, Lakota will evaluate each one thoroughly. There may be cost-saving alternatives; for example, changing the elementary grade configuration in 2007 and adding a second freshman school in 2008 could allow more efficient bus routes without increasing the time students are on buses. Reducing the number of instructional aides to the level recommended in the audit could increase our need for teachers; therefore a total evaluation of services provided must be carefully considered.

Lakota provides more than the minimum level of service in the areas cited, and does so at a low cost per student. Therefore, the most important criteria for evaluating the recommendations will be measuring the impact of reducing services for students. The audit has helped us to identify those areas to consider.

Not all recommendations involve reducing costs and services. Some offer modifications in procedures and business practices. Several recommendations made are estimated to increase costs by several hundred thousand dollars; these will also be thoroughly evaluated before taking action.

As you are aware, you received updated information and data from us in numerous areas, particularly in the areas of technology and transportation. We recognize that not all changes could be made in time to have an effect on the final report; we are also aware that information that was not corrected in time could result in incomplete or erroneous findings and recommendations. We would be pleased to further discuss the specifics of these errors with the audit team.

In summary, Lakota appreciates work done by the auditors as evidenced in the report. The Performance Audit recognizes numerous best practices which have made the district successful and efficient. At the same time, the district recognizes that additional improvements can be made. Lakota will thoroughly review each recommendation and implement those items that provide a realistic cost savings or efficiency improvement.

Sincerely,


Joan Powell
President, Lakota Board of Education


Wm. Michael Taylor
Superintendent, Lakota Local School District