



Mary Taylor, CPA
Auditor of State

ANTHONY WAYNE
LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

MAY 1, 2008



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Auditor of State

To the Residents and Board of Education of the Anthony Wayne Local School District:

On March 22, 2007, Anthony Wayne Local School District (Anthony Wayne LSD or the District) was placed in fiscal caution due to the possibility of ending the 2007 fiscal year in a deficit and incurring additional deficits in future years. Pursuant to Ohio Revised Code (ORC) § 3316.031 and ORC § 3316.042, a performance audit was initiated in Anthony Wayne LSD beginning in July 2007. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declaration of fiscal caution.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. It also provides an independent assessment of Anthony Wayne LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

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

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

Sincerely,

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

Mary Taylor, CPA
Auditor of State

May 1, 2008

Executive Summary

Project History

On March 22, 2007, the Ohio Department of Education (ODE) declared the Anthony Wayne Local School District (Anthony Wayne LSD or the District) to be in a state of fiscal caution, pursuant to Ohio Revised Code (ORC) § 3316.031 and in accordance with State guidelines. Anthony Wayne LSD was required to submit a fiscal caution proposal that addressed its potential current and future year deficits within sixty days.

According to the fiscal caution guidelines, a district may be placed in fiscal caution by the Superintendent of Public Instruction when there is a potential current year deficit and no acceptable plan in place to address it. In Anthony Wayne LSD, the designation of fiscal caution was in response to potential deficits in FY 2006-07 and FY 2007-08 as identified in an ODE fiscal analysis. The analysis, completed in November 2006, projected deficits of \$1.2 million in FY 2006-07 and \$4.5 million in FY 2007-08. In response to the projected deficits, Anthony Wayne LSD submitted a financial recovery plan to ODE on January 25, 2007 (due to timing, the official declaration occurred after the financial recovery plan was submitted). The financial recovery plan outlined reductions in expenditures that would be made by the District, as well as a planned 4.5 mill emergency levy to increase revenues. The 4.5 mill emergency levy was projected to yield approximately \$4 million annually in property taxes and was on the May 8, 2007 ballot. However, the levy was voted down by the majority of voters (approximately 50.9 percent to 49.1 percent). Consequently, Anthony Wayne LSD revised their financial recovery plan on June 22, 2007. However, Anthony Wayne LSD's five year forecasts from October 2005, May 2006, and October 2006 presented virtually identical revenues and expenditures and were accompanied by little supporting documentation. Without regular updates to the forecasts, the three prior forecasts did not present the District's most likely future financial position.

In July, 2007, pursuant to ORC § 3316.031 and 3316.042, AOS initiated a performance audit of Anthony Wayne LSD to assist its administrators and the Board in identifying cost saving opportunities and improved management practices. Based on a review of District information and discussions with administrators, the following four functional areas were included in the performance audit:

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

Audit field work concluded in November, 2007. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition. The revised forecast presented in the **financial systems** section indicates that, if Anthony Wayne LSD implements the performance audit recommendations, including those subject to negotiations, the District could operate with a positive fund balance through FY 2010-11.

The performance audit recommendations do not consider the impact of recent changes in the economy or housing market on the District's financial condition. Revenue assumptions supporting the District's financial forecast may be impacted by these changes. For example, some Ohio counties are projecting a steep rise in the rate of foreclosures and the Reinvestment Fund estimates that each foreclosure within 1/8 mile and 1 year prior to a property sale reduces the sale price by 1.0 percent. This could have an impact on real property tax collections. Anthony Wayne LSD should continue to monitor the impact of local foreclosure rates and other economic factors on the District's financial condition.

District Overview

Anthony Wayne LSD is located in southwest Lucas County and encompasses about 73 square miles. ODE categorizes the District as an urban/suburban district with residents having relatively high median income. The District operates under an elected Board of Education consisting of five members. The Board serves as the taxing authority and ensures that the general laws of the State of Ohio are followed in the expenditure of District tax dollars.

In FY 2006-07, the District provided educational services to about 4,000 students from preschool through twelfth grade in its seven school buildings. The District recently built a new facility to house its administrative offices. Additional District facilities include the Burdo building that houses the Operations Department, a bus garage, and athletic facility.

For FY 2005-06, ODE reported that the District received approximately 64.9 percent of its revenues from local taxes, 29.6 percent from the State, and 5.6 percent from federal grants and other sources. ODE also reported the District's expenditures per pupil were \$8,301 per student.

In FY 2006-07, the District employed approximately 518 full-time equivalent (FTE) staff consisting of 18 FTE administrators, 252 FTE educational personnel, 12 FTE other professional/technical personnel, 35 FTE office/clerical staff, 44 FTE custodial and maintenance staff, and 201 additional FTE staff that are bus drivers, food service and monitoring personnel. The FY 2006-07 regular education student-to-teacher ratio was approximately 21:1. Also in FY 2006-07, the District met 29 of 30 academic performance indicators and was categorized as an excellent district.

Subsequent Events

After the completion of fieldwork, the Anthony Wayne LSD Board voted to place a 6.5 mill emergency levy on the March 4, 2008 ballot. The levy was rejected by 53 percent of District voters.

During the course of the audit, the District has addressed several of the recommendations in the financial systems, human resources, and transportation areas. These changes are highlighted in its official response to this audit (see **district response**).

Objectives, Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit work was conducted between July and November 2007. The audit assessed the key operations of the District in the areas of financial systems and strategic management, human resources, facilities, and transportation. For a list of objectives completed in each section see **Appendix 1-A**.

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

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from Anthony Wayne LSD and other school districts. Throughout this report, comparisons are made to the average of 10 peer districts.¹ These districts were selected as peers based on demographic groupings, academic performance indicators, and expenditures per pupil. The data obtained from the comparison districts was not tested for reliability, although it was reviewed in detail for reasonableness. Also, external organizations and sources were used to provide comparative information and benchmarks. They included, but were not limited to, the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U),

¹ Ten peer districts used for peer comparison include Amherst EVSD (Lorain County), Chippewa LSD (Wayne County), Lake LSD (Stark County), Lakeview LSD (Trumbull County), Lebanon CSD (Warren County), Louisville LSD (Stark County), Plain LSD (Stark County), Shawnee LSD (Allen County), Tipp City EVSD (Miami County), and Wadsworth CSD (Medina County).

the National Center for Education Statistics (NCES), and other related best practices. Information used as criteria (benchmarks or recommended practices) was not tested for reliability.

The Auditor of State and staff express their appreciation to the Anthony Wayne Local School District and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

During the course of the audit, the following practices were identified as noteworthy accomplishment.

- Anthony Wayne LSD's Treasurer uses financial forecasting software to develop the District's five-year forecast projections. The forecast contains detailed assumptions and appropriate supporting documentation.
- Anthony Wayne LSD's Transportation Director effectively uses routing software and scheduling that minimizes mid-route downtimes and maximizes the District-wide efficiency of transportation pickup and delivery services.
- Anthony Wayne LSD's Operations Director maintains detailed custodial information that includes staffing levels, cleaning areas designated to each building, and the actual square footage maintained per custodian. Additional information includes position classifications, number of hours in a shift spent cleaning, assigned worked schedule, square footage cleaned per hour, and brief cleaning area descriptions.
- The District has developed a pamphlet entitled *Anthony Wayne Local Schools Emergency Procedures Guide* that addresses potential health and safety conditions that may occur throughout the District. The pamphlet is comprehensive, exceeds recommended practices and is made available to all employees at each facility.

Key Recommendations

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

In the area of financial systems, Anthony Wayne LSD should;

- Expand and update its fiscal planning policies and develop formal guidelines that outline the process for preparing forecast documents. The fiscal planning and procedures should include the development of alternative forecast scenarios to help the Board assess the impact of various operational choices and understand variables in economic conditions, State funding, enrollment, and unforeseen expenditures.
- Maintain and publish a clearly written, multi-year strategic plan to provide vision and direction for the District. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP) and recommended business operations plans.
- Develop comprehensive financial policies that are based on recommended practices. Financial policies should be adopted by the Board, and the District's financial and budgetary practices should be consistent with these policies
- Establish performance measures for the various District departments. Doing so would increase the District's ability to budget according to expectations and assist the Board in proactively addressing fiscal issues in the event of a financial crisis.
- Develop a comprehensive purchasing manual that explains the purchasing process from start to completion, and incorporates all existing purchasing policies. The District should review its processes to be sure that the policies are being followed.

In the area of human resources, Anthony Wayne LSD should:

- Consider reducing 11 education services personnel FTEs, 7 clerical FTEs, and 22 monitoring FTEs. Reducing staffing in these areas would save the District to approximately \$800,000 upon implementation and bring it more in line with peer district staffing levels.

In the area of facilities, Anthony Wayne LSD should:

- Consider reducing custodial staffing by 15 FTE through the implementation of NCES standard of 29,500 square feet per custodian. Operating at this standard would allow the District to reduce expenditures approximately \$596,000 while maintaining an appropriate level of cleanliness for educational facilities.

In the area of transportation, Anthony Wayne LSD should:

- Update the District Board policy on transportation to reflect current levels of service and include more detail to explain the specific types of safety hazards that exist within the District.
- Establish formal procedures to ensure T-forms are prepared correctly and amounts are reported accurately before submission to the Ohio Department of Education (ODE). These procedures should include a review of data before its final submission to ODE.
- Formalize its bus replacement planning process.

Issue for Further Study

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

- The District, in consultation with its legal counsel, should consider continuing to manage its energy program without the help of outside services. Anthony Wayne LSD was proactive in acquiring energy services to increase efficiency. The contract for energy management services provided Anthony Wayne LSD with the information and materials necessary to achieve more energy efficient operations throughout the District. However, many districts conduct energy management activities internally, an options which should be examined by Anthony Wayne LSD.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Anthony Wayne LSD should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations – First Year (FY 2007-08)

	Estimated First Year Savings	Estimated Annual Costs
General Fund Recommendations Not Subject to Negotiations		
R3.3 Reduce 11.0 ESP FTEs	\$478,500	
R3.3 Reduce 7.0 clerical FTEs	\$131,600	
R3.3 Reduce 22.0 monitoring FTEs	\$191,400	
R3.4 Implement the BWC PDP+ and DFWP Level 1.	\$23,118	
R4.1 Reduce 15 FTE custodial positions.	\$596,000	
R5.7 Develop a bus replacement plan		\$60,000
Total General Fund Impact of Performance Audit Recommendations	\$1,420,618	\$60,000

Source: AOS recommendations

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

Appendix 1-A: Audit Objectives

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

Financial Systems

- Does the five-year forecast reasonably and logically project the future financial position of the District?
- Does the District have an adequate internal control process?
- Does the District have a budgeting process that meets best practice standards?
- Does the District actively communicate with, and respond to, stakeholders?
- Is the District's long-term planning process adequate?

Human Resources

- How do staffing levels compare with other high performing districts?
- How do District bargaining agreements, and the District's bargaining process, compare to State requirements and best practices?
- How does the District handle human resources issues such as hiring, retention, and workplace climate?
- Does the District provide a comprehensive development program for all staff?
- Are the Board of Education, the Superintendent, and the Treasurer able to effectively govern the District?
- Does the District provide special education programs that maximize resources and are compliant with state and federal regulations?

Facilities

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

Transportation

- How does the District’s transportation policy and procedures compare with best practices and impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How does the District’s “yellow bus” (Type I & II) transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing specialized transportation service in an effective and efficient manner?

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Financial Systems

Background

This section of the performance audit focuses on financial systems in Anthony Wayne Local School District (Anthony Wayne LSD or the District). It analyzes the current and future financial condition of the District by reviewing its five-year financial forecast and testing supporting assumptions for reasonableness, developing recommendations for improvements in financial processes, and identifying opportunities to increase efficiency. Anthony Wayne LSD is also compared to a peer average consisting of 10 districts classified as Type 6¹ urban and suburban districts with similar demographics² (urban/suburban and high median income), high Ohio Proficiency Test scores, and low per-pupil expenditures. Further, the District is compared to recommended practices and standards from applicable sources, including the American Institute of Certified Public Accountants (AICPA) and the Government Finance Officers Association (GFOA).

Financial History

Ohio Revised Code (ORC) § 3316.031 states that the State Superintendent of Schools may declare a district in fiscal caution, after consulting with the local board of education, if it is determined through the forecast that conditions exist that could result in a fiscal watch or fiscal emergency situation. The State Superintendent must declare fiscal caution if the Auditor of State (AOS) certifies a deficit that is greater than 2 percent but less than 8 percent of prior year General Fund revenue and elects not to place the district in fiscal watch. Further, fiscal caution may be declared whenever the Ohio Department of Education (ODE) discovers any other “fiscal practices or conditions” that could lead to a declaration of fiscal watch or emergency through the examination of a district’s five-year forecast required under division (B) of ORC § 5705.301. Anthony Wayne LSD was placed in fiscal caution by ODE on March 22, 2007. The designation of fiscal caution was in response to potential deficits in fiscal year (FY) 2006-07 and FY 2007-08 as identified in an ODE fiscal analysis. The analysis, completed in November 2006, projected deficits of \$1.2 million in FY 2006-07 and \$4.5 million in FY 2007-08. In FY 2005-06, total General Fund revenue was \$30.4 million. This translates into a deficit of 4.1 percent in FY 2006-07.

In response to the projected deficits, Anthony Wayne LSD submitted a financial recovery plan to ODE on January 25, 2007 (due to timing, the official declaration occurred after the financial recovery plan was submitted). The financial recovery plan outlined the District’s planned

¹ As categorized by the Ohio Department of Education.

² The 10 peers are listed in the **executive summary** of this report.

reductions in expenditures, as well as a proposed 4.5 mill emergency levy, projected to yield approximately \$4 million annually in property taxes. The 4.5 mill emergency levy was placed on the May 8, 2007 ballot but was rejected by the majority of voters. Consequently, the District revised its financial recovery plan on June 22, 2007. The Board planned to place a 4.5 mill emergency levy on the November 6, 2007 but elected to pull the ballot measure based on the District's updated forecast (August 2007). The District placed a 6.5 mill emergency levy on the March 4, 2008 ballot but the measure was rejected by voters.

The current Treasurer has been with the District since November 2006. There are five Treasurer's Office staff members including the Business Manager, Payroll Clerk, Accounts Payable Clerk, Accounting Clerk, and a Human Resources Clerk. Office staff is cross-trained to help provide consistent service in case of absences. Anthony Wayne LSD uses the Uniform School Accounting Software (USAS) to manage its accounting operations. Recently, the Treasurer attended a refresher forecasting training course sponsored by the Ohio Association of School Business Officers (OASBO) and has implemented recommended financial forecasting software for use at the District.

Financial Operations

Local Revenue

Table 2-1 shows Anthony Wayne LSD's revenue receipts for FY 2005-06 as compared to the peers on a per-average daily membership (ADM) and a percent variance basis.

Table 2-1: FY 2005-06 Revenue per ADM and as a Percent of Total

	Anthony Wayne LSD	Peer Average	\$ Variance	% Variance
Property & Income Tax	\$5,221	\$3,289	\$1,932	58.8%
Intergovernmental Revenues	\$2,380	\$3,680	(\$1,300)	(35.3%)
Other Revenues	\$448	\$464	(\$16)	(3.4%)
Total Revenue	\$8,049	\$7,432	\$617	8.3%
Property & Income Tax ¹	64.9%	44.1%	<i>N/A</i>	47.0%
Intergovernmental Revenues ¹	29.6%	49.9%	<i>N/A</i>	(40.8%)
Other Revenues ¹	5.6%	5.9%	<i>N/A</i>	(6.3%)
Total Revenue	\$31,270,690	\$25,981,774	<i>N/A</i>	20.4%

Source: Anthony Wayne LSD and peer financial reports for FY 2005-06

¹ As a percent of total revenue.

As shown in **Table 2-1**, Anthony Wayne LSD receives a significantly higher amount of revenue per ADM than the peer average. More specifically, the District receives a significantly higher portion of revenue from property and income tax when compared to the peers. This is primarily due to significantly higher property valuations. Consequently, the District receives a significantly smaller percentage of revenue from the State.

Table 2-2 shows Anthony Wayne LSD assessed valuation per ADM and local revenue collected per ADM as compared to the peer average.

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

	Anthony Wayne LSD	Peer Average
ADM	3,885	3,439
Assessed Value	\$821,225,430	\$486,117,477
Assessed Value per ADM	\$211,394	\$140,666
Property / Income Taxes Collected	\$25,290,570	\$14,199,673
Collections Per ADM	\$6,510	\$4,154
\$ Per ADM as a % of Assessed Value per ADM	3.1%	2.9%

Source: Ohio Department of Taxation (ODT)

As shown in **Table 2-2**, Anthony Wayne LSD had a significantly higher assessed valuation per ADM than the peers. This means that, on average, the same voted millage in Anthony Wayne LSD generates more local revenue per ADM than the peers. The District's assessed valuation per ADM is 50.3 percent higher than the peer average. Also shown in **Table 2-2**, due to the higher valuation, the District collects 56.7 percent more tax dollars per ADM than the peer average. The most recent levies in effect for Anthony Wayne LSD include a 1992 6.8 mill operating levy, and a 2003 4.85 mill emergency operating levy. The emergency levy was designed to generate approximately \$3 million annually, and is scheduled to expire in 2008.

Expenditures per Pupil

Table 2-3 shows Anthony Wayne LSD's FY 2005-06 and FY 2006-07 total General Fund expenditures by function on a per ADM basis as compared to the peer average.

Table 2-3: General Fund Expenditures (Instruction and Non-Instruction)

	Anthony Wayne LSD FY 2005-06		Anthony Wayne LSD FY 2006-07		Peer Average FY 2005-06	
	Total \$	\$ Per Student	Total \$	\$ Per Student	Total \$	\$ Per Student
Regular Instruction	\$15,407,883	\$3,966	\$16,529,756	\$4,091	\$12,082,179	\$3,893
Special Education Instruction	\$1,883,494	\$485	\$2,116,149	\$524	\$1,827,778	\$592
Vocational Education Instruction	\$210,893	\$54	\$173,220	\$43	\$504,942	\$147
Adult/Continuing Education	\$0	\$0	\$0	\$0	\$5,642	\$1
Other Instruction	\$14,845	\$4	\$374	\$0	\$595,052	\$197
Total Instruction	\$17,517,116	\$4,509	\$18,819,499	\$4,658	\$15,015,594	\$4,829
Pupil Support Services	\$1,086,008	\$280	\$1,162,519	\$288	\$1,178,712	\$365
Instructional Support Services	\$918,122	\$236	\$933,055	\$231	\$1,128,275	\$344
Board Support Services	\$740,542	\$191	\$745,557	\$185	\$69,846	\$25
Administrative Support Services	\$2,399,984	\$618	\$2,625,028	\$650	\$1,968,983	\$643
Fiscal Support Services	\$888,425	\$229	\$792,578	\$196	\$524,551	\$178
Business Support Services	\$105,935	\$27	\$122,415	\$30	\$53,236	\$13
Operation and Maint. Of Plant	\$3,973,288	\$1,023	\$3,700,379	\$916	\$2,652,172	\$892
Support Services-Pupil Trans.	\$2,544,861	\$655	\$2,129,467	\$527	\$1,463,301	\$434
Central Support Services	\$71,567	\$18	\$73,887	\$18	\$155,041	\$54
Total Support Services	\$12,728,732	\$3,277	\$12,284,885	\$3,041	\$9,194,115	\$2,948
Total Operation of Non Instructional Services	\$0	\$0	\$0	\$0	\$13,689	\$4
Total Extra Curricular	\$517,854	\$133	\$540,703	\$134	\$468,151	\$156
Total Facilities Acquisition	\$56,422	\$15	\$1,410	\$0	\$107,362	\$42
Total Payment of Debt	\$0	\$0	\$0	\$0	\$509,181	\$115
Total Other Funds	\$307,340	\$79	\$648,053	\$160	\$477,620	\$113
Total Expenditures	\$31,127,464	\$8,013	\$32,294,550	\$7,993	\$25,785,713	\$8,208

Source: Anthony Wayne LSD and peer financial reports for FY 2005-06 and FY 2006-07

As shown in **Table 2-3**, Anthony Wayne LSD was below the peer average in total costs per ADM, as well as in several line items, for FY 2005-06 and FY 2006-07. Furthermore, the District has reduced expenditures in FY 2006-07 from the previous year in vocational education instruction, other instruction, fiscal support services, operation and maintenance of plant, and support services-pupil transportation. The following highlights the variances between Anthony Wayne LSD and the peers as depicted in **Table 2-3**.

- Instruction:** Although Anthony Wayne LSD spent more per pupil for regular instruction, overall, total instructional costs per ADM were below the peer average. The higher per pupil expenditures for regular instruction are likely due to slightly higher staffing levels than the peers (see **human resources**).

- **Support Services:** The District spent more per pupil on support services than the peer average. More specifically, the higher support services costs are attributable to the staffing levels for the educational service personnel (ESP), clerical, and monitoring functions (see **human resources**).
- **Board of Education:** USAS defines board of education support services as the activities of the elected or appointed body created according to state law. In FY 2005-06, the majority of expenditures (46.5 percent) were for Lucas County Board of Education deductions. Also, approximately 24 percent of expenditures were open enrollment fees. Open enrollment payments are deductions for students who reside in the district, but attend another district.
- **Fiscal Support Services:** USAS defines fiscal services as activities associated with financial operations; including budgeting, disbursing, accounting, payroll processing, and auditing. The higher per pupil expenditures are due to salaries, benefits, and treasurer/auditor fees. In FY 2005-06 the majority of fiscal service expenditures (33 percent) were for treasurer/auditor fees. Treasurer/auditor fees are the charges for the collection and administration of local taxes. Approximately 24 percent of expenditures were for Treasurer’s Office staff salaries.
- **Business Support Services:** Higher per pupil expenditures are primarily attributable to salary and benefit expenditures for these services. In FY 2005-06, salary expenditures composed 69 percent of expenditures and benefits composed 28 percent of total expenditures in this line item.
- **Operation of Plant and Maintenance:** Higher per pupil expenditures for the operation of plant and maintenance are primarily attributable to salary and benefits expenditures and, to a lesser extent, to repairs and maintenance services not provided by District personnel (see **facilities**).
- **Pupil Transportation:** Higher per pupil expenditures for transportation is due to several items including salaries, fuel, bus insurance, and miscellaneous expenditures. Fuel costs are higher because the District also purchases fuel for other local governments in order to increase it’s per gallon discount. Anthony Wayne LSD sells the fuel to several local governments at cost. Miscellaneous costs include several items, but the largest category is the bus purchase, which was recorded as a lease (\$372,261 in FY 2005-06).

Discretionary Expenditures

Table 2-4 shows FY 2005-06 General Fund discretionary expenditures per ADM, and the percent of total expenditures for Anthony Wayne LSD and the peer districts. Discretionary expenditures accounted for approximately 12.6 percent of the District’s FY 2005-06 General Fund expenditures. This exceeded the peer average of 10 percent.

Table 2-4: Discretionary Expenditure Comparison

<u>Discretionary Expenditures</u>	Anthony Wayne LSD			Peer Average		
	ADM:	3,885		ADM:	3,439	
	Total \$	\$ per Student	% of Total	Total \$	\$ Per Student	% of Total
Professional & Technical Service	\$618,023	\$159	2.0%	\$515,747	\$139	1.9%
Property Services	\$985,805	\$254	3.2%	\$385,079	\$106	1.4%
Mileage/Meeting Expense	\$35,521	\$9	0.1%	\$35,841	\$10	0.1%
Communications	\$94,388	\$24	0.3%	\$68,460	\$21	0.3%
Craft or Trade Service	\$0	\$0	0.0%	\$7,846	\$2	0.0%
Pupil Transportation Service	\$3,760	\$1	0.0%	\$180,644	\$40	0.5%
Other Purchased Service	\$0	\$0	0.0%	\$11,635	\$4	0.1%
General Supplies	\$390,319	\$100	1.3%	\$320,039	\$90	1.2%
Textbooks/Reference Materials	\$210,230	\$54	0.7%	\$116,981	\$34	0.5%
Plant Maint. & Repairs	\$355,238	\$91	1.1%	\$142,740	\$44	0.6%
Fleet Maint. & Repairs	\$312,877	\$81	1.0%	\$233,642	\$65	0.9%
Other Supplies & Materials	\$9,200	\$2	0.0%	\$20,746	\$5	0.1%
Capital Outlay (New)	\$352,242	\$91	1.1%	\$114,509	\$29	0.4%
Dues & Fees	\$740,525	\$191	2.4%	\$418,382	\$135	1.9%
Insurance	\$1,530	\$0	0.0%	\$27,961	\$10	0.1%
Total Discretionary Expenditures	\$4,109,656	\$1,058	13.0%	\$2,600,250	\$735	10.0%
Total General Fund Expenditures	\$31,127,464			\$25,785,711		

Source: Anthony Wayne LSD and peer financial reports for FY 2005-06

Note: Cost per student and percent of total may vary due to rounding.

As shown in Table 2-4, Anthony Wayne LSD spent \$323 more per ADM in discretionary expenditures than the peer average. The following are explanations of higher spending of a material nature:

- **Property Service:** Property services are purchased to operate, repair, maintain, insure, and rent property/equipment owned and/or used by the District. In FY 2005-06, Anthony Wayne LSD spent \$148 (139 percent) more per ADM for property services than the peer average. The majority of expenditures (45 percent) were for repairs and maintenance. In

FY 2005-06, the District spent \$281,000 (approximately 28.5 percent of property service expenditures) for property and bus insurance.

- **Textbook and Reference Materials:** Textbook and reference materials are for student and staff books, newspapers, and periodicals. In FY 2005-06, the District spent \$20 (58.8 percent) more per ADM for textbook and reference materials than the peer average. The majority of expenditures (59 percent) were for new textbooks.
- **Supplies for Plant Maintenance and Repair:** Supplies for plant maintenance and repair are expenditures for consumable items used to operate, maintain, and/or repair district property, buildings, and equipment. Examples include grass seed, fertilizer, polish, light bulbs, and paint. In FY 2005-06, Anthony Wayne LSD spent \$47 (107 percent) more per ADM for maintenance and repair supplies than the peer average.
- **Supplies for Fleet Maintenance and Repair:** Supplies for fleet maintenance and repair are expenditures for consumable items used to operate, maintain, and/or repair motor vehicles. In FY 2005-06 Anthony Wayne LSD spent \$16 (25 percent) more per ADM than the peer average. All purchases in this line item were for fuel. If the fuel purchased on behalf of local governments (approximately \$69,000) is excluded from the analysis, the District's expenditures per ADM are \$2 less than the peer average.
- **Capital Outlay:** Capital outlay expenditures are for the acquisition of, or additions to fixed assets, as well as expenditures for the replacement of fixed assets. In FY 2005-06, Anthony Wayne LSD spent \$47 (107 percent) more per ADM for capital outlay than the peer average. The majority of expenditures (50.5 percent) were for the replacement of school buses. Another 29 percent of expenditures were for new and additional equipment, including building and grounds equipment, audio/visual equipment, and computer hardware.
- **Dues and Fees:** Dues and fees expenditures include all expenditures for membership in authorized organizations and those payments made to paying agents (vendors) for services rendered. In FY 2005-06 expenditures in this category were \$56 (41.5 percent) more per ADM than the peer average. The majority of expenditures (44 percent) were payments to the Lucas County Board of Education. An additional 40.5 percent of expenditures were fees charged by the Lucas County Auditor for collection and administration of local taxes.

Financial Condition

Anthony Wayne LSD's forecasts from October 2005, May 2006, and October 2006 presented virtually identical revenues and expenditures. The only line items exhibiting any change were as follows:

- **Other Revenue:** The October 2005 forecast showed projected revenue of \$871,481 for FY 2006-07 and \$915,055 for FY 2007-08. This was subsequently raised to \$1,003,918 and \$1,054,113, respectively, in the May 2006 forecast, and held constant in the October 2006 forecast.
- **Supplies and materials:** The October 2005 forecast showed projected expenditures of \$864,533 for FY 2006-07 and \$890,469 for FY 2007-08. This was subsequently raised to \$1,143,300 and \$1,177,599, respectively, in the May 2006 forecast, and held constant in the October 2006 forecast.
- **Advances:** The October 2006 forecast increased the projected advance revenue from \$0 to \$307,340.

Because the prior three forecasts were not regularly updated and adjusted as conditions changed, they were of limited utility, and did not present the likely future financial position of the District. In addition, the prior forecasts had little supporting data to demonstrate the accuracy of projections. As all three forecasts presented operations deficits, and both the May 2006 and October 2006 forecasts presented ending fund balance deficits, ODE conducted a fiscal analysis. The financial analysis concluded that Anthony Wayne LSD's expected deficit fund balances were significantly higher than the prior forecasts had indicated. ODE estimated the expected fund balance deficit to be \$1,575,079 in FY 2006-07 and \$3,258,194 in FY 2007-08. Consequently, ODE declared the District to be in fiscal caution.

In response to the history of poor quality forecasts, Anthony Wayne LSD's current Treasurer presented AOS with a revised forecast during the course of the audit. AOS reviewed the forecast assumptions to determine reasonableness and interviewed the Treasurer as she refined her projections of revenue and expenditures. Based on the updated, more accurate forecast, the Board of Education (the Board) voted to remove the 4.5 mill emergency levy from the November 2007 ballot.

The financial forecast presented in **Table 2-5**, represents the Treasurer's revised forecast. It is updated to include present and future conditions. Following **Table 2-5** is a summary of the assumptions used in the forecast.

Table 2-5: AWLSD Five-Year Forecast (in 000's)

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecasted 2007-08	Forecasted 2008-09	Forecasted 2009-10	Forecasted 2010-11	Forecasted 2011-12
Real Estate Property Tax	\$15,998	\$16,812	\$18,455	\$19,978	\$19,374	\$19,732	\$21,254	\$22,118
Tangible Personal Property Tax	\$3,582	\$3,472	\$2,559	\$1,803	\$842	\$129	\$64	\$0
Unrestricted Grants-in-Aid	\$6,988	\$6,804	\$6,509	\$6,647	\$6,650	\$6,653	\$6,656	\$6,660
Restricted Grants-in-Aid	\$55	\$43	\$68	\$51	\$51	\$51	\$51	\$50
Property Tax Allocation	\$2,003	\$2,295	\$3,347	\$4,198	\$4,739	\$5,346	\$5,542	\$5,257
Other Revenues	\$790	\$995	\$979	\$994	\$1,009	\$1,024	\$1,039	\$1,055
Total Operating Revenues	\$29,417	\$30,421	\$31,917	\$33,670	\$32,665	\$32,934	\$34,606	\$35,150
Other Financing Sources	\$241	\$850	\$380	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$29,657	\$31,271	\$32,297	\$33,670	\$32,665	\$32,934	\$34,606	\$35,150
Personal Services	\$17,951	\$19,024	\$19,984	\$20,617	\$21,805	\$23,114	\$24,500	\$25,970
Fringe Benefits	\$5,418	\$6,180	\$7,018	\$7,464	\$7,979	\$8,727	\$9,553	\$10,464
Purchased Services	\$2,971	\$3,203	\$2,768	\$3,106	\$3,181	\$3,296	\$3,416	\$3,539
Supplies, Materials, & Textbooks	\$1,552	\$1,278	\$1,096	\$1,140	\$1,186	\$1,233	\$1,283	\$1,334
Capital Outlay	\$347	\$352	\$5	\$0	\$0	\$0	\$0	\$0
Debt Service	\$15	\$28	\$11	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$789	\$755	\$764	\$789	\$812	\$837	\$862	\$888
Total Operating Expenditures	\$29,043	\$30,820	\$31,646	\$33,117	\$34,964	\$37,207	\$39,613	\$42,915
Other Financing Uses	\$838	\$307	\$648	\$115	\$115	\$115	\$115	\$115
Total Expenditures and Other Financing Uses	\$29,881	\$31,127	\$32,295	\$33,232	\$35,079	\$37,322	\$39,728	\$42,310
Result of Operations (Loss)	(\$224)	\$143	\$2	\$439	(\$2,414)	(\$4,389)	(\$5,122)	(\$7,170)
Beginning Cash Balance	\$727	\$503	\$646	\$648	\$1,087	(\$1,327)	(\$5,716)	(\$10,838)
Ending Cash Balance	\$503	\$646	\$648	\$1,087	(\$1,327)	(\$5,716)	(\$10,838)	(\$18,008)
Outstanding Encumbrances and Fund Balance Reservations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$503	\$646	\$648	\$1,087	(\$1,327)	(\$5,716)	(\$10,838)	(\$18,008)
Cumulative Balance of Replacement Levies	\$0	\$0	\$0	\$0	\$1,561	\$4,561	\$7,561	\$10,561
Unreserved Fund Balance	\$503	\$646	\$648	\$1,087	\$233	(\$1,155)	(\$3,277)	(\$7,447)

Source: Anthony Wayne LSD five-year forecast (September, 2007) including AOS revisions

According to its forecast, the District is projecting a positive unreserved fund balance through FY 2008-09. Staffing reductions made in FY 2005-06 are largely responsible for the projected surplus.

The assumptions and methodologies disclosed herein were developed by the Treasurer. AOS analyzed the assumptions and methodologies as the Treasurer completed the updated forecast. By its nature, forecasting requires estimates of future events. Therefore, differences between projected and actual revenues and expenditures are common as circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared.

The Treasurer usually develops a companion document to the forecast listing the assumptions. ODE makes this document available to stakeholders through its web site. However, due to the timing of this audit, the Treasurer was unable to provide written assumptions during this phase of fieldwork. Consequently, the assumptions for major line items are summarized below.

Revenues

General Property Tax (Real Estate): Anthony Wayne LSD's Treasurer assumes that District property valuation growth will be 4.5 percent annually during non-update/reappraisal years. During update years, the Treasurer assumes property valuation will increase 9 percent, and the reappraisal increase will be 10 percent. Historically, the District's property valuation increases during non-update years have averaged 7.26 percent annually. Although the Treasurer's stated assumption of 4.5 percent is lower than the historical average, recent trends in the housing market (e.g. foreclosures and declining sales) justify a smaller growth assumption. During update years, property valuation increases have averaged 10.7 percent, and reappraisal increases have averaged 20 percent. Although the projected amounts are lower than the historical average, the most recent valuation increase from an update in 2003 was 9 percent, down from 12.5 percent in 1997. Further, property valuation increases from reappraisals are occurring at a decreasing rate. In 2000, a reappraisal resulted in an increase of 28 percent. A subsequent reappraisal in 2006 resulted in an increase of 12 percent. Thus, given the trend of smaller increases, the Treasurer's assumption of 9 percent increase during an update year and 10 percent increase during a reappraisal year is reasonable.

Table 2-6 revises the Treasurer's forecast to include revenue from new commercial/industrial construction. An agreement with the City of Maumee, which entered into a tax increment financing agreement (TIF) that exempted the construction from taxation, will result in approximately \$800,000 annually in additional revenue. This information became available after the Treasurer had finalized the updated forecast.

Tangible Personal Property Tax Revenue: Personal property taxes are taxes levied upon property used in business, such as machinery, equipment, inventory, and furniture. House Bill (HB) 66 accelerated the phase-out of the tax on tangible personal property. The tax on business and railroad property will be eliminated by 2009, while telephone and telecommunications will be eliminated by 2011. Anthony Wayne LSD's Treasurer projects tangible personal property tax revenues to end by FY 2011-12, which is consistent with the provision in HB 66. Further, the

Treasurer prepared the projections using spreadsheets provided by ODE, and information from the Ohio Department of Taxation (ODT). She has captured the effects of HB 66 and this assumption appears reasonable.

Unrestricted Grants-in-Aid (State Aid): Anthony Wayne LSD's Treasurer assumes that increases in unrestricted grants-in-aid will be minimal, averaging approximately 0.5 percent. This is slightly above the average annual historical increase of 0.3 percent. For FY 2007-08, the Treasurer projects State aid to be approximately \$6.6 million consistent with the simulation prepared by ODE. Similarly, the District projects unrestricted grants-in-aid to be \$6.6 million for FY 2008-09, which is consistent with ODE's projection. Given that the Treasurer's projection is consistent with historical trends and ODE projections, this assumption is reasonable.

Property Tax Allocation (Homestead and Rollback Reimbursement): While HB 66 accelerated the phase-out of the tax on tangible personal property, it also contained a provision that the State would fully reimburse taxing authorities for lost revenue through FY 2010-11, and partially reimburse them from FY 2011-12 through FY 2016-17. Anthony Wayne LSD used the aforementioned spreadsheet from ODE to project these payments. Given that the District has accounted for changes from HB 66 using ODE's spreadsheet, this portion of the assumption is reasonable. In addition to tangible personal property tax loss reimbursement payments, districts must also account for homestead and rollback reimbursements in this line item. ORC grants citizen property tax relief through two main methods: homestead and rollback exemptions. The homestead reduction is tax relief granted to low income, elderly, and disabled homeowners and is factored as a 2.5 percent reduction. The rollback reduction is tax relief granted through a universal 10 percent reduction in each tax payer's real property tax bill. The State reimburses local governments for these losses. HB 66 also included a provision to eliminate the rollback on commercial/industrial property. As a result, only the rollback on residential/agricultural property will remain in place. The Treasurer has accommodated this change in her projections, and has used only a 10 percent reduction on residential/agricultural property valuation.

Expenditures

Personal Services: Anthony Wayne LSD's personal service expenditures represent employee salaries, wages, and overtime. In FY 2006-07, personal services represented 62 percent of General Fund operating expenditures. Since FY 2000-01, personal services expenditures have increased an average of approximately 6.3 percent annually, with the most recent three years (FY 2004-05 through FY 2006-07) averaging an approximately 6.0 percent increase. The Treasurer projects personal services to increase by 6 percent annually, using FY 2006-07 expenditures as a base. The projected increase is consistent with the most recent negotiated agreements, which contain step increases of approximately 3.5 percent and negotiated wage increases of approximately 2.2 percent, for a combined annual increase of approximately 5.7 percent. Using total FY 2006-07 expenditures as a base is conservative because this includes overtime and substitute pay, which will not increase at the same rate as regular salaries.

Fringe Benefits:

Fringe benefits are the amounts paid by employers for employee benefits such as retirement, health insurance, unemployment insurance, and life insurance. In FY 2006-07, fringe benefits represented 22 percent of General Fund operating expenditures. Anthony Wayne LSD's Treasurer projects retirement and Medicare to be 16 percent of salaries annually. This is consistent with the current required contribution rate of 14 percent for the State retirement system, and approximately 1.5 percent for Medicare contributions. Additionally, the Treasurer projects health insurance costs to increase by 12 percent annually. This is more conservative than a State Employee Relations Board analysis that found the average district faces health insurance increases of approximately 8 percent.

Debt Service: Although not included in the updated forecast, debt service will be adjusted in **Table 2-6** to include payment for the District's Central Administrative Office building. The payment will be equivalent to the TIF money discussed above in **general property tax**. At the time of the audit, this was projected to have no net impact on the forecast.

Recommendations

Planning

R2.1 Anthony Wayne LSD should expand and update its fiscal planning policies to address key forecast factors, including parties responsible for information, stakeholder input, periods covered, supporting assumptions, presentation formats, and outside consultation. In addition, the District should develop formal guidelines that outline the process for preparing forecast documents and include timelines for the review and completion of the forecast as well as specifications regarding the methodology used for each major line-item. Finally, the fiscal planning policies and procedures should be expanded to include guidelines for the development of alternative forecast scenarios in order to better understand the impact of variables in economic conditions, State funding, enrollment, and unforeseen expenditures.

The District has not established policies that reference financial planning procedures for the State mandated five-year forecast. However, the current Treasurer appears to be applying the principles and practices promoted by the Ohio Association of School Business Officers (OASBO) in its forecasting training to the operations of the District, as evidenced by the September financial forecast.

Financial planning expands a government's awareness of its financial options, potential problems, and opportunities. In addition, the long-term revenues, expenditures, and service implications of continuing or ending existing programs or adding new programs, services, and debt can also be identified through financial planning. Finally, the financial planning process helps shape decisions and permits necessary and corrective action to be taken before financial problems become severe. The American Institute of Certified Public Accountants (AICPA) recommends the following to help ensure the reliability of the financial forecast:

- Forecasts should be prepared in good faith, using the best information available at the time to develop appropriate assumptions.
- Forecasts should be prepared with care by qualified personnel using appropriate accounting principles. Procedures should be established to facilitate the prevention, detection, and correction of errors.
- The process used to develop financial forecasts should allow users to identify the best information that is available at that time.
- Key factors should be identified as a basis for assumptions.

- Assumptions used in preparing the financial forecasts should be appropriate and should include the following components: market surveys, general economic indicators, trends and patterns developed from the entity's operating history (historical trends), and internal data and analysis (negotiated agreements and labor rates).
- The process used to develop financial forecasts should provide adequate documentation of both the financial forecast and the process used to develop them. Documentation should also include recording the underlying assumptions as well as summarizing the supporting evidence for the assumptions. Well documented forecasts allow users to trace forecasted results back to supporting documentation and the basic underlying assumptions.
- The process used to develop financial forecasts should include, where appropriate, the regular comparison of the financial forecasts with the attained results. Comparing prospective financial results with actual results provides a historical measure of success and can be an indicator of the reliability of future forecasts.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority. The responsible party should have access to the financial forecasts and supporting documentation in order to adequately review and approve the financial forecasts.

Financial planning policies and procedures should be formalized, approved, and added to the existing policies and any future operational procedures that are developed. In addition, the financial planning policies and procedures should be revised periodically according to a review schedule and the policies should be promptly updated when changes occur.

Although the Treasurer's five-year forecast provides decision makers with relevant information, implementing a policy to include alternative forecasts will allow the Board to evaluate best and worst case scenarios. The consequences of poor forecast assumption and analysis errors pointed to the need for additional revenues, when in fact, the District was in much better financial condition than predicted. Further, involving a variety of stakeholders in the forecasting process will ensure that a critical review of assumptions occurs, thus improving the accuracy of the District's forecast.

R2.2 The District should prepare a broad, comprehensive strategic plan that incorporates meaningful long-range goals, objectives, and performance measures. Further, the strategic plan should link to the five-year forecast. The District's long-range collective bargaining strategies; facility utilization; instructional and support service goals; and building, transportation, and technology needs should be incorporated

into the plan. The strategic plan should also include implementation and resource allocation schedules and performance measures for each program and activity. Once developed, short-range plans and budgets should be developed to be consistent with these long-range parameters. The entire planning process should be driven by a clearly articulated vision of where the District wants to be in the future. This is particularly important for a district that must maximize the effectiveness of its limited resources.

Anthony Wayne LSD does not have a current strategic planning document to guide the District's long-term operations and spending decisions. The most recent documents created by the District are a continuous improvement plan (CIP) from September 2004, and a comprehensive continuous improvement plan (CCIP) from FY 2006-07. The September 2004 CIP has a different purpose and focus than the FY 2006-07 CCIP. The CCIP is a grant application tool and Anthony Wayne LSD is required by ODE to submit a CCIP on an annual basis. The CCIP outlines a series of goals, action steps, and performance indicators along with a variety of background information on its operations and programs. The CIP is a summary of goals, tasks, and strategies. The CIP obtained from the District does not contain measures, which would enable monitoring of progress, nor does it contain implementation timeframes.

According to *Best Practice for Strategic Planning* (Government Finance Officers Association (GFOA)), governmental entities should use some form of strategic planning to provide long-term perspectives for service delivery and budgeting. GFOA also recommends that entities monitor progress towards planned goals at regular intervals. Organizations should develop systematic review processes to evaluate the extent to which strategic goals have been met. In the strategic planning process, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and would ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and activities funded in the budget. GFOA divides 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.
- **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, and can be expressed as productivity ratios or as unit cost ratios.

While Anthony Wayne LSD has developed some planning documents, a single document does not exist to link educational, budgetary, and planning needs. Without a comprehensive strategic plan to tie all program needs together, including budgetary and educational goals, the District may not be able to link its actions with their impacts on other programs or finances. Therefore, Anthony Wayne LSD might have a greater risk of under or over-funding particular programs relative to other District needs and the effectiveness of the particular programs. A single planning document could also have the effect of increasing the effectiveness of District expenditures through tighter budgetary controls.

Budgeting

R2.3 Anthony Wayne LSD should develop comprehensive financial policies that are based on recommended practices. Financial policies should be based on nationally recognized practices, adopted by the Board, and implemented as the basis for the District's financial and budgetary practices.

The Board has established financial policies. However, the policies do not contain several elements that are considered recommended practices.

According to the GFOA, financial policies should be consistent with broad government goals and should be the outcome of sound analysis. Policies should also be consistent with each other and the relationships between policies should be identified. Financial policies should be an integral part of the development of service, capital, and financial plans, and the overall budgeting process. All other adopted budgetary practices should be consistent with these policies.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999), recommends policies for several items not currently encompassed in Anthony Wayne LSD's Board policies, these include:

- **Budget Stabilization Funds** – to guide the creation, maintenance, and use of resources for financial stabilization purposes.
- **Fees and Charges** – to identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided.
- **Debt Issuance and Management** – to guide the issuance and management of debt because issuing debt commits a government's revenues several years into the

future, and may limit the government's flexibility to respond to changing service priorities, revenue flows, or cost structures.

- **Debt Level and Capacity** – to set a limit on the amount of debt and debt service that should be outstanding at any one time.
- **Use of One-Time Revenues** – to prohibit the use of one-time revenues for ongoing expenditures because by definition, one-time revenues cannot be relied on in future budgets.
- **Use of Unpredictable Revenues** – to identify major revenue sources considered unpredictable and to define how these revenues may be used because, by definition, these revenue sources cannot be relied upon.
- **Revenue Diversification** – to encourage diversity of revenue sources because all revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on taxes and taxpayers.
- **Contingency Planning** – to guide the financial actions the entity will take in the event of emergencies, natural disasters, or other unexpected events.

Anthony Wayne LSD should consider augmenting and enhancing its existing financial policies by adopting the comprehensive policies recommended by the GFOA. Taking such action could help the District better manage its resources and help ensure consistency in financial and budgetary practices. Such policies can also help the District operate more effectively, serve as a tool for financial decision making, and improve the District's ability to take timely action. Finally, a comprehensive set of financial policies can aid in the overall management of the District's budget and the achievement of its long-range goals.

R2.4 Anthony Wayne LSD should adjust the budget preparation process to follow recommended practices. Primarily, the Treasurer should focus on establishing revenue amounts for a given fiscal year, then establishing expenditure limits. Further, the District should ensure that the budget is linked to, and accomplishes the goals of, the strategic plan (see R2.2). This will ensure that its short and long term goals are accomplished within the financial constraints of the District.

Anthony Wayne LSD does not have a strategic plan, and consequently, cannot link its budget to District goals. However, the current methodology for preparing the budget would allow it to incorporate strategic plan goals. The District's budget process begins with the Treasurer meeting with building principals and department supervisors in order

to determine any specific needs that should be addressed. For personal services and fringe benefits, the Treasurer accounts for each employee individually, and ensures the current salary is correct. From there, retirement is calculated as 14 percent of salaries, and Medicare at 1.5 percent. Health insurance is based upon the most recent plan. Supplies and materials are calculated by allowing principals \$500 per teacher, \$5 per student for art and music, and \$1 per pupil for physical education. Purchased services are based on current contracts, with historical increases used to estimate the cost of utilities. The District does not produce a formal budget document, using its appropriation report instead.

The GFOA recommends that governments consider budgeting for results and outcomes as a practical way to achieve the objective of integrating performance into the budgetary process. GFOA recommends the following steps to help a government make this transition successful:

- **Determine how much money is available:** The budget should be built on expected revenues. This would include base revenues, any new revenue sources, and the potential use of fund balances.
- **Prioritize results:** The results or outcomes that matter most to citizens should be defined. Elected leaders should determine what programs are most important to their constituents.
- **Allocate resources among high priority results:** The allocations should be made in a fair and objective manner.
- **Conduct analysis to determine what strategies, programs, and activities will best achieve desired results.**
- **Budget available dollars to the most significant programs and activities:** The objective is to maximize the benefit of the available resources.
- **Set measures of annual progress, monitor, and close the feedback loop:** These measures should spell out the expected results and outcomes and how they will be measured.
- **Check what actually happened:** This involves using performance measures to compare actual versus budgeted results.
- **Communicate performance results:** Internal and external stakeholders should be informed of the results in an understandable format.

Budget professionals may play a number of roles in budgeting for results and outcomes, including the following:

- Facilitating government-wide results and analytic support;
- Providing “reality checks” on budget allocations and expected revenues in the light of adopted financial policies;
- Advising on allocations for administrative support functions, which provide necessary organizational infrastructure for achieving community goals, but do not typically emerge as high priorities on their own;
- Analyzing work product to evaluate the process of budgeting for results and outcome; and
- Serving as an advocate for outcomes and the process in general rather than for any particular department.

Budgeting for results and outcomes is not just a one-year exercise, but a multi-year effort that should improve the budgeting process.

Budgeting for results and outcomes links strategic planning, long-range financial planning, performance measures, budgeting, and evaluation. It also links resources to objectives at the beginning of the budgetary process, so that the primary focus is on outcomes rather than organizational structure. Consequently, this would help ensure that Anthony Wayne LSD’s long-term goals are accomplished. Further, using revenues as a starting point for budgeting ensures that the long-term goals are accomplished within the financial constraints of the District.

R2.5 Anthony Wayne LSD should regularly monitor budgetary performance. This should include ensuring that expenditures do not exceed appropriations and that funds do not have negative fund balances. By regularly monitoring the budget, the District can decrease the likelihood of ending a fiscal year with deficit fund balances. Further, regular monitoring can eliminate deficit spending entirely.

Anthony Wayne LSD’s financial audit management letters for FY 2003-04 through FY 2005-06 include findings such as the District appropriations exceeding resources, expenditures exceeding appropriations, and negative cash fund balances. These citations indicate that the budget was not routinely monitored. Further, a review of FY 2006-07 Uniform School Accounting System (USAS) reports found that, at various times, Anthony Wayne LSD had expenditures exceeding appropriations and negative cash balances in select funds. For example, in December 2007, the Student Managed Activity Fund had expenditures exceeding appropriations by \$1,060. Also, the Uniform Supply Fund had a negative cash balance of \$4,840.

According to *Recommended Budget Practices* (GFOA, 2003), a government should evaluate its financial performance relative to the adopted budget. Budget-to-actual or budget-to-projected actual comparisons of revenues, expenditures, cash flow, and fund balance should be periodically reviewed during the budget period. Staffing levels should also be monitored. Comparisons for at least the current year should be included in the budget document and be generally available to stakeholders during discussions related to budget preparation and adoption.

Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. It is also an essential input in demonstrating accountability. By more actively monitoring budget to actual reports and sharing this information with the Board and other stakeholders, the Treasurer can assure that decisions with financial impacts take current conditions into consideration. This may help Anthony Wayne LSD avoid fiscal oversight in the future and allow it to extend its resources into future financial periods.

Internal Controls

R2.6 Anthony Wayne LSD should establish performance measures for the various District departments. Doing so would increase the ability to budget according to expectations, as well as be proactive in the event of a financial crisis. Further, the District would be able to identify, and correct, operational inefficiencies instead of focusing on across-the-board reductions. Consequently, this could result in improved continuity of service to the students, staff, and stakeholders.

According to the Treasurer, the District is not in a position to set performance measures. The current Treasurer began working for the District in November 2006, and is still in the process of changing procedures and processes. In the absence of existing performance measures, and in order to demonstrate accountability, the Treasurer had planned to follow the recommendations from the Choosing Financial Stability session used by several schools in Ohio. The method involves meeting with a large group, of stakeholders dividing the large group into three smaller groups to look at three issues: revenues, expenditures, and progress. The smaller groups rotate between the issues, and the Treasurer, the Superintendent, or another staff member works with the groups to help them understand the objectives and what change efforts are being made. However, due to other time commitments, this undertaking will be delayed.

The GFOA recommends that program and service performance measures be developed and used as an important component of long term strategic planning and decision making, and governmental budgeting. Performance measures should:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program outcomes;
- Provide for resource allocation comparisons over time;
- Measure efficiency and effectiveness for continuous improvement;
- Be verifiable, understandable, and timely;
- Be consistent throughout the strategic plan, budget, accounting, and reporting systems; and to the extent practical, be consistent over time;
- Be reported internally and externally;
- Be monitored and used in managerial decision-making processes;
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.

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. Governments in the early stages of incorporating performance measures (see **R2.2**) into their budget process should strive to:

- Develop a mission statement for government and its service delivery units by evaluating the needs of the community;
- Develop its service delivery units in terms of programs;
- Identify goals, short- and long-term, that contribute to the attainment of the mission;
- Identify program goals and objectives that are specific in timeframe and measurable to accomplish goals;
- Identify and track performance measures for a manageable number of services within programs;
- Identify program inputs in the budgeting process that address the amount of resources allocated to each program;
- Identify program outputs in the budgeting process that address the amount of service units produced;
- Identify program efficiencies in the budgeting process that address the cost of providing a unit of service;
- Identify program outcomes in the budgeting process that address the extent to which the goals of the program have been accomplished;
- Take steps to ensure that the entire organization is receptive to evaluation of performance;

- Integrate performance measurements into the budget that at a minimum contains by program the goals and input, output, efficiency and outcome measures; and
- Calculate costs and document changes that occur as a direct result of the performance management program in order to review the effectiveness it.

As governments gain experience, they are encouraged to develop more detailed information and use a variety of performance measures to report on program outcomes. These measures should be linked to the goals of the programs, and the missions and priorities of the organization.

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 entity's mission, goals, and objectives, meaningful performance measurements could assist Anthony Wayne LSD and its stakeholders in identifying financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

R2.7 The Treasurer and Superintendent should work with the Board to develop a comprehensive purchasing manual that explains the purchasing process from start to completion, and incorporates all existing purchasing policies. Furthermore, formal policies and procedures should be developed in the following areas and included in the manual:

- **The supplier selection and removal process;**
- **Information required to monitor supplier performance;**
- **Documentation required to enable reviews of compliance with policies and procedures (e.g., documentation of price quotations and monitoring of supplier performance);**
- **Information on vendor selection;**
- **Formal receiving and distribution procedures; and**
- **Procedures explaining the requisition and purchase order process, along with explanation of the use of the USAS system or any additional forms to be used.**

Each operational unit should be provided with at least one copy of the purchasing manual and the District should review key components of the manual with staff. This manual should be updated on an annual basis or when significant changes to policies and procedures occur. Further, the District should ensure that staff complies with the purchasing manual, including, if necessary, holding employees responsible for purchases made improperly.

The District developed and implemented some purchasing policies and procedures through NEOLA, an organization that provides school districts with a complete service for developing and updating board by-laws and policies. While Anthony Wayne LSD maintains policies from NEOLA that were approved by the Board in 2007, the District does not maintain a purchasing manual that can be used by its employees, building principals, and department heads as a guide to the requisition process. The policies the District has, but has not fully used in the past include the following:

- Purchasing authority;
- Bidding requirements;
- Vendor Relations;
- Local Purchasing;
- Cooperative Purchasing;
- Credit cards; and
- Payment of claims.

However, the District does not have policies on the following:

- Supplier selection;
- Receiving (explicit);
- Distribution (explicit);
- Goals and Objectives;
- Internal Review of the Purchasing Process; and
- Segregation of duties.

According to the *Financial Accountability System Resource Guide Update* (Texas Education Agency, January 2003), every school district, large and small, should have a written manual describing its purchasing policies and procedures. It should be designed to assist campus level and department level personnel in the purchasing of supplies and services. Rules and guidelines for those purchases consistent with relevant statutes, regulations and board policies are a vital part of the manual. Such a manual can either stand alone or be made a part of a financial and accounting manual. A school district's purchasing manual typically will address the following items:

- Purchasing goals and objectives;
- Statutes, regulations and board policies applicable to purchasing;
- Purchasing authority;
- Requisition and purchase order processing;
- Competitive procurement requirements and procedures;
- Supplier selection and relations;
- Receiving;

- Distribution; and
- Disposal of obsolete and surplus property.

Overall, a good purchasing manual establishes rules for making purchases. It provides guidance to employees at the campus and departmental levels in requisitioning purchases and often is used to acquaint vendors and suppliers with the district's policies and procedures. Internally, the manual helps in training personnel in purchasing policies and procedures. In addition, it promotes consistency in purchasing applications throughout the district.

In the absence of a comprehensive purchasing manual and clearly defined policies, District personnel may not be fully aware of their responsibilities in the process. Having access to formal, comprehensive purchasing policies will help ensure that ORC requirements and District expectations for purchasing controls are met by all employees. In the future, this will assist the Superintendent and Treasurer in implementing greater degrees of budgetary control and, in the event of future shortfalls, being able to make modifications in expenditures more expeditiously.

R2.8 Anthony Wayne LSD should follow established policies that require competitive bidding for items over \$25,000. In addition, the District should ensure that contracted services support its strategic objectives. Following established policies will ensure that vendors receive equitable treatment and could potentially result in savings for the District.

Anthony Wayne LSD entered in to a contractual agreement with an energy vendor after the approval by the District's review committee (see **facilities**). Although the District took some precautions to ensure the services contracted were appropriate and beneficial; the process lacked essential elements in the award process, including a formal competitive bid process. In addition, the District was unable to provide documentation of competitive bidding for several purchases exceeding \$25,000.

The National State Auditors Association's (NSAA) *Contracting for Services* suggests that although evaluation methods vary, the contract award process should ensure vendor proposals are responsive to the agency's needs, consistently and objectively evaluated, and contracts are awarded fairly to responsible vendors. When making an award decision, the agency should:

- Have appropriate procedures for handling late or incomplete proposals;
- Ensure that an adequate number of proposals were received;
- Use an evaluation committee, comprised of individuals who are trained on how to score and evaluate the proposals and who are free of impairments to independence;

- Use fixed, clearly defined, and consistent scoring scales to measure the proposal against the criteria specified in the request for proposal (RFP);
- Carefully check vendor references;
- Document the award decision and keep supporting materials; and
- Carefully control bids upon receipt to ensure that bids are not opened prematurely to give late bidding vendors confidential pricing information, bids are not accepted after the due date, inferior bids are not given extra opportunity to cure deficiencies, etc.

Although the District established a review committee, it neglected to complete the RFP process. Also known as a bidding process, a RFP commits an agency to a formal process based on fair and open competition and equal access to information. Without completing a RFP, the District is unable to conclude that it has received the best price for the services contracted. Without proper awarding practices, there is little assurance an agency is selecting the most qualified vendor at the best price. Furthermore, contracting decisions may not be defensible if challenged, particularly when no documentation for the process or decision has been retained.

Communication

R2.9 Anthony Wayne LSD should increase the use of its web site as a means to inform and educate its residents on financial issues. The District should publish key documents on its web site including, but not limited to, budget documents, the comprehensive annual financial report (CAFR) and popular annual financial report (PAFR) (see R2.10), and any financial reports provided to the Board.

The District's web site includes links to individual schools within the District, parent organizations, general District information, online registration for classes, and other various links. The web site also provides links to departments within the District, such as Technology, Operations, and Food Service. However, no substantive information regarding these departments is available. The Treasurer's Office provides the following financial information:

- Information regarding the FY 2006-07 financial situation, including an ODE financial analysis, an ODE staffing analysis, and a financial recovery plan;
- General FY 2005-06 annual data, including revenues, expenditures, per pupil comparisons, and historical General Fund comparisons;
- School finance terms;
- A tax calculator;
- Historical tax rate information and a comparison to other districts; and
- The current forecast and accompanying, supporting assumptions.

During the course of the audit, the web site was updated to include a revised financial recovery plan.

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

- **Levy Information** – Includes levy facts, reappraised home values and school taxes, property tax calendar, income tax calculator, Ohio school district income tax, and a glossary of terms.
- **Expenditures by Object/Function** – Illustrates salary, benefit, purchased services, capital outlay, maintenance, transportation, and extracurricular activity expenditures.
- **Appropriations and Forecasts** – Provides the current five-year forecast, notes for understanding the forecast, appropriations, tax budget, and historical year end analysis.
- **Taxes/Millages/Valuations** – Includes a tax calculator, presentation of Governor’s Blue Ribbon Task Force on Student Success, county area effective tax rates (historical information), tax rate history, and question and answers on taxes and millage.
- **Annual Reports** – Provides historical information, in addition to the CAFRs and PAFRs.
- **Miscellaneous** – Shows the audit findings, school finance terms, state financial designations, ODE Local District Report Cards, reports on enrollment, and finance and audit committee information.

By providing key financial information to District residents online, Anthony Wayne LSD can increase awareness and understanding of its financial condition. Using the web site also reduces the number of public document requests and eliminates the cost associated with providing information in paper format. In addition, the electronic form provides the users with a computerized tool to find, extract, and analyze data contained in these often-lengthy documents. Although staff time is required to develop the information for the web site and then maintain and update it, the District could enhance the type of financial reports made available to the public through its web site at little additional cost.

R2.10 Anthony Wayne LSD should develop and release a CAFR and PAFR. The District should also ensure that these reports are readily available and publicized through several forms of communication such as public libraries, mailings to major businesses, the District's web site, and press releases to local media (see R2.9). These report should be reviewed by Board members and administrators, and copies be made available to the public upon request.

Anthony Wayne LSD produced a CAFR until FY 2005-06. According to the Treasurer, the District did not produce a CAFR thereafter due to employee turnover, and because the cost to prepare the report, approximately \$9,000 to \$12,000, outweighed the benefit. The District does not produce a PAFR.

The Government Finance Officers Association (GFOA) has long been on record as encouraging every state and local government to issue a CAFR in conformity with generally accepted accounting principals (GAAP). GFOA also encourages governments to supplement their CAFR with simpler, "popular" reports 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 popular reports exhibit the following characteristics to be most effective:

- The data in the popular report should be extracted from the CAFR.
- The popular report 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.
- The scope of the popular report should be clearly indicated (i.e., does the popular report include component units as well as the primarily government?).
- The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information.
- The popular report should attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format and be written in a concise and clear style.
- The popular report should 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.
- The narrative should be used, as appropriate, to highlight and explain items of particular importance.

- Comparative data should be used constructively to help identify trends useful in the interpretation of financial data.
- Popular reports should be posted on the government's web site. Hard copies, when issued, should be distributed in a number and manner appropriate to their intended readership (e.g., newspaper or magazine inserts, sample copies provided to libraries, and sample copies provided to professional offices).
- Popular report preparers should strive for creativity.
- Users of popular reports should be encouraged to provide feedback.
- Most important, the popular report should establish its credibility with its intended readers by presenting information in a balanced and objective manner.

GFOA recommends that every government publish its budget document and CAFR on the web site. GFOA further recommends that governments comply with the following guidelines when presenting these documents on its web site:

- The electronic budget document and the electronic CAFR should be identical to the printed versions of these documents.
- The web site should prominently notify users that the information in the CAFR has not been updated for developments subsequent to the date of the independent auditor's report.
- The web site should prominently inform users whether the budget document presented represents the preliminary budget or the approved budget.
- If a government elects to present the budget documents and CAFRs of prior years, the web site should clearly identify these documents as "dated information for historical reference only" and clearly segregate them from current information. A "library" or "archive" section of the web site is advisable for this purpose.
- The security of the web site should be evaluated to protect it from manipulation by external or unauthorized persons.

Annual financial reports issued in conformity with GAAP are essential if governments are to meet their obligation to be accountable to their citizens. Further, providing enhanced financial reporting through a CAFR and PAFR would provide stakeholders insight into District operations and a better understanding of the District's financial

condition and outlook. Anthony Wayne LSD could reduce the costs associated with producing a CAFR or PAFR by completing some of the work in-house and using the AOS Web-GAAP program to develop financial statements.

R2.11 Anthony Wayne LSD should include stakeholders in the planning, budgeting, and operational functions of the District. Stakeholder involvement could be obtained through any number of means: surveys, public hearings, roundtable discussions, and telephone calls. Without adequate stakeholder involvement, the District may run the risk of losing support for major initiatives, or changes in programs or services.

According to the Treasurer, with the exception of the Finance Committee and Board meetings, the public is not involved in the budgeting, planning, or operational functions of the District.

According to GFOA *Recommended Practices*, government should provide opportunities in the budget process for obtaining stakeholder input. Stakeholder input can be obtained in a number of ways, including public hearings, advisory commissions, informal conversations, round-table briefings, TV and video presentations, opinion surveys, neighborhood meetings, office hours, letter writing, telephone calls, and e-mail. The approaches are likely to differ with the size of the government. The budget calendar should identify specific opportunities for citizen input where government officials are available to explain issues and choices and to receive comments. A general-purpose public hearing shortly before final decisions are made on the budget is not adequate as the sole means of soliciting stakeholder input, especially on major issues. The process developed for obtaining stakeholder input should ensure that information is gathered in a timely and complete manner to be useful in budget decision making.

By definition, stakeholders are affected by a government's resource allocation plans and service and program decisions. Stakeholders should have clearly defined opportunities to provide input. This helps ensure that stakeholder priorities are identified and enhances stakeholder support for the approved budget.

R2.12 Anthony Wayne LSD should consider implementing the performance audit recommendations and making the recommended adjustments to the five-year forecast contained in this report. Implementing the performance audit recommendations and making the forecast adjustments will offset projected deficits and allow the District to maintain a positive year-end balance through FY 2010-11. However, in order to achieve solvency through the forecast period, the performance audit recommends reductions in personnel in selected areas that were substantially above peer districts or national benchmarks.

In order to alleviate projected deficits, the District must consider making changes to its staff and program operations. Several of these changes are recommended in areas where Anthony Wayne LSD significantly exceeded peer districts or industry standards in staffing levels. By implementing the performance audit recommendations, including reductions in the custodial staffing, Anthony Wayne LSD could maintain a positive General Fund balance through FY 2010-11, and would experience a negative General Fund balance in FY 2011-12 of approximately \$1.7 million.

Table 2-6 demonstrates the effect on the forecast and ending fund balances, assuming the forecast adjustments are made and all recommendations contained in this audit are implemented by FY 2008-09. These recommendations include reductions in clerical, monitoring, custodial and ESP staff. If implemented by the Board, these reductions are projected to result in a positive fund balance of approximately \$1.1 million in FY 2010-11.

Table 2-6: AWLSD Five-Year Forecast (in \$000's) with AOS Adjustments

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecasted 2007-08	Forecasted 2008-09	Forecasted 2009-10	Forecasted 2010-11	Forecasted 2011-12
Real Estate Property Tax	\$15,998	\$16,812	\$18,455	\$19,978	\$20,174 ¹	\$20,532	\$22,054	\$22,918
Tangible Personal Property Tax	\$3,582	\$3,472	\$2,559	\$1,803	\$842	\$129	\$64	\$0
Unrestricted Grants in Aid	\$6,988	\$6,804	\$6,509	\$6,647	\$6,650	\$6,653	\$6,656	\$6,660
Restricted Grants in Aid	\$55	\$43	\$68	\$51	\$51	\$51	\$51	\$50
Property Tax Allocation	\$2,003	\$2,295	\$3,347	\$4,198	\$4,739	\$5,346	\$5,542	\$5,257
Other Revenues	\$790	\$995	\$979	\$994	\$1,009	\$1,024	\$1,039	\$1,055
Total Operating Revenues	\$29,417	\$30,421	\$31,917	\$33,670	\$33,465	\$33,735	\$35,406	\$35,940
Other Financing Sources	\$241	\$850	\$380	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$29,657	\$31,271	\$32,297	\$33,670	\$33,465	\$33,735	\$35,406	\$35,940
Personal Services	\$17,951	\$19,024	\$19,984	\$20,617	\$21,805	\$23,114	\$24,500	\$25,970
Fringe Benefits	\$5,418	\$6,180	\$7,018	\$7,464	\$7,979	\$8,727	\$9,553	\$10,464
Purchased Services	\$2,971	\$3,203	\$2,768	\$3,106	\$3,181	\$3,296	\$3,416	\$3,539
Supplies, Materials, & Textbooks	\$1,552	\$1,278	\$1,096	\$1,140	\$1,186	\$1,233	\$1,283	\$1,334
Capital Outlay	\$347	\$352	\$5	\$0	\$0	\$0	\$0	\$0
Debt Service	\$15	\$28	\$11		\$800 ²	\$800	\$800	\$800
Other Expenditures	\$789	\$755	\$764	\$789	\$812	\$837	\$862	\$888
Total Operating Expenditures	\$29,043	\$30,820	\$31,646	\$33,117	\$35,764	\$38,007	\$40,413	\$42,995
Other Financing Uses	\$838	\$307	\$648	\$115	\$115	\$115	\$115	\$115
Performance Audit Costs or (Net Savings)	0	0	0	\$13	(\$1,445)	(\$1,542)	(\$1,467)	(\$1,399)
Total Expenditures and Other Financing Uses	\$29,881	\$31,127	\$32,295	\$33,245	\$34,434	\$36,580	\$39,061	\$41,711
Result of Operations (Loss)	(\$224)	\$143	\$2	\$425	(\$969)	(\$2,845)	(\$3,655)	(\$5,771)
Beginning Cash Balance	\$727	\$503	\$646	\$648	\$1,073	\$104	(\$2,741)	(\$6,396)
Ending Cash Balance	\$503	\$646	\$648	\$1,073	\$104	(\$2,741)	(\$6,396)	(\$12,167)
Outstanding Encumbrances and Fund Balance Reservations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$503	\$646	\$648	\$1,073	\$104	(\$2,741)	(\$6,396)	(\$12,167)
Revenue from Replacement/Renewal Levies								
Cumulative Balance of Replacement Levies	\$0	\$0	\$0	\$0	\$1,665	\$4,561	\$7,561	\$10,561
Unreserved Fund Balance	\$503	\$646	\$648	\$1,073	\$1,665	\$1,820	\$1,165	(\$1,606)

Source: Anthony Wayne LSD five-year forecast & AOS revisions

^{1&2} TIF Agreement results in additional revenue and expenditures

Table 2-7 summarizes the performance audit recommendations reflected in the revised five-year forecast presented in **Table 2-7**. Recommendations are divided into two categories, those not subject to negotiation and those that are.

Table 2-7: Summary of Performance Audit Recommendations

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Recommendations Not Subject to Negotiations					
R3.3 Reduce 11 ESP FTEs.	\$0	\$478,500	\$511,900	\$547,800	\$586,300
R3.3 Reduce 7 FTE clerical staff.	\$0	\$131,600	\$140,800	\$150,700	\$161,300
R3.3 Reduce 22 FTE monitoring staff.	\$0	\$191,400	\$204,800	\$219,100	\$234,500
R4.1 Reduce 15 FTE custodial positions.	\$0	\$596,000	\$637,600	\$682,300	\$730,300
<i>Sub Total Cost Savings from Performance Audit Not Subject to Negotiation</i>	<i>\$0</i>	<i>\$1,397,500</i>	<i>\$1,495,100</i>	<i>\$1,599,900</i>	<i>\$1,712,400</i>
Recommendations Subject to Negotiation					
R3.4 Implement BWC's PDP+ and DFWP Level 1	\$46,000	\$46,000	\$46,000	\$46,000	\$46,000
R3.5 Implement direct deposit for all employees	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
<i>Sub Total Cost Savings from Performance Audit Subject to Negotiation</i>	<i>\$47,000</i>	<i>\$47,000</i>	<i>\$47,000</i>	<i>\$47,000</i>	<i>\$47,000</i>
Total Cost savings form Performance Audit Recommendations	\$47,000	\$1,445,000	\$1,542,100	\$1,646,900	\$1,759,400

Source: AOS performance audit recommendations

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

Table 2-8 summarizes the implementation costs associated with the recommendations contained within the performance audit. Each cost estimate is dependent upon Anthony Wayne LSD's decision to implement the associated recommendation and the timing of the implementation.

Table 2-8 Implementation Costs

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
R5.5 Implement formal bus replacement plan	\$60,000	\$0	\$0	\$180,000	\$360,000
Total Implementation Cost	\$60,000	\$0	\$0	\$180,000	\$360,000

Source: AOS performance audit recommendations

Human Resources

Background

This section of the performance audit focuses on the human resource (HR) functions of the Anthony Wayne Local School District (Anthony Wayne LSD). A summary of the audit objectives for this section can be found in the **executive summary** section of this report. Operations were evaluated against leading practices, industry benchmarks, operational standards, and the average of 10 peer districts¹ for the purpose of developing recommendations to reduce costs, improve efficiency, and enhance business practices. Leading practices and industry standards were drawn from various sources, such as the Society for Human Resource Management (SHRM), the State Employment Relations Board (SERB), the Kaiser Family Foundation (Kaiser), the Ohio Education Association (OEA), the American Society of Public Administration (ASPA), the State Council of Professional Educators (SCOPE), the National Education Association (NEA), the Ohio School Boards Association (OSBA), and the National School Boards Association (NSBA).

Organizational Structure

Anthony Wayne LSD does not have a separate department dedicated to performing HR functions. Individuals responsible for HR functions include a variety of administrators, as well as the principals at each school building, who assist in developing limited staffing plans and conducting teacher performance evaluations. The Superintendent and Assistant Superintendent oversee the administrative and certified staff while the Business Manager and Operations Director are responsible for the supervision and management of the District's classified staff (custodians, maintenance workers, bus drivers, mechanics, and food service staff). Payroll and benefits administration is the responsibility of two clerical employees within the Treasurer's Office. The District has a Local Professional Development Committee that monitors course work for certified staff, makes decisions regarding professional development activities, and monitors staff compliance with licensure requirements.

Staffing

Table 3-1 illustrates the full-time equivalent (FTE) staffing levels at Anthony Wayne LSD and the peer average, as reported to the Ohio Department of Education (ODE) through the Education Management Information System (EMIS). The District reported 517.91 FTEs on the FY 2006-07 EMIS report. However, District staffing data has been adjusted to reflect Board of Education (the

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

Board) approved reductions, resignations, and non-renewals as of May 5, 2007. **Table 3-1** is presented on a per 1,000 students basis to mitigate differences in staffing attributable to the varying sizes of the peer districts.

Table 3-1: FTE Staffing Level Comparison (per 1,000 Students)

Category	Anthony Wayne LSD ¹	Peer Average ²	Difference
Students Educated (FTE) ³	4,026	3,516	510
Administrative Staff	4.5	5.4	(0.9)
Educational Staff ⁴	62.6	60.6	2.0
Professional Staff	1.5	1.9	(0.4)
Technical Staff	1.5	2.5	(1.0)
Office / Clerical Staff	8.7	11.1	(2.4)
Maintenance Staff ⁵	4.0	1.5	2.5
Custodial / Grounds Staff	9.4	6.1	3.3
Transportation Staff	19.4	7.2	12.2
Food Service Staff	8.2	5.9	2.3
All Other Reported Staff ⁶	8.9	3.8	5.1
Total FTE Staff	128.6	105.9	22.7

Source: FY 2006-07 EMIS data as reported to ODE

Note: Employees contracted through the Lucas County educational services center (ESC) or private contractors are not included in this analysis. Anthony Wayne LSD contracts 3.0 FTE Psychologists, 2.0 FTE Speech Therapists, 0.5 FTE Physical Therapists, and 0.5 FTE Occupational Therapists from the Lucas County ESC. The District also contracts 2 FTE Speech Therapists from a private provider.

¹ Reflects updated FTE employees per 1,000 students confirmed by the District and approved by the Board.

² Reflects FY 2006-07 unadjusted FTE employees per 1,000 students reported by the peer districts.

³ Students educated equals FTE students receiving educational services from the districts and excludes the percent of time students are receiving educational services outside the District.

⁴ During the course of this audit, the District did not renew contracts for 6.0 FTE tutor/ small group instructors, bringing staffing to 7.5 FTE tutor/ small group instructors.

⁵ EMIS assignments to this category include bus mechanics, utility/delivery drivers, and supervisors that normally are not considered facility maintenance positions. See the **facilities** section for further discussion.

⁶ All Other Reported Staff is not a single category in EMIS. This grouping includes categories such as dispatcher, monitor, guard/watchman, other vehicle operator, etc.

As illustrated in **Table 3-1**, Anthony Wayne LSD administrators, professional, and technical staff are lower than the peer average. However, District staffing is higher, on a per 1,000 student basis, when compared to the peer average in the following areas:

- Educational staff—1.7 FTE educational service personnel (ESP);
- Office / clerical staff—1.6 FTE clerical;
- Other—2.5 FTE maintenance workers and 3.3 FTE custodians/grounds keepers (see the **facilities** section);
- Other—12.1 FTE bus drivers (see **transportation**);

- Other—2.3 FTE food service workers;² and
- Other—5.1 FTE all other reported personnel.³

In general, Anthony Wayne LSD has experienced low turnover; retirement and relocation are the main causes of employees voluntarily ending their employment.

Compensation

Table 3-2 illustrates a comparison of FY 2006-07 salaries by selected categories for Anthony Wayne LSD and the peer district average. These salaries do not include retirement contribution pick-up or benefit costs paid by the District on behalf of employees. In FY 2006-07, the District spent an additional 32.5 percent of salaries for employee benefits such as retirement contributions and health care expenses.

Table 3-2: FY 2006-07 Average Salary Comparison

Classification	Anthony Wayne LSD Average Salary	Peer Average Salary	Percent Difference
Administrative Staff	\$75,843	\$71,454	6.1%
Educational Staff	\$50,421	\$50,846	(0.8%)
Professional Staff	\$32,794	\$53,224	(38.4%)
Technical Staff	\$21,645	\$19,900	8.8%
Office/Clerical Staff ¹	\$25,880	\$23,065	12.2%
Maintenance Staff	\$41,791	\$38,761	7.8%
Operative Staff	\$11,930	\$18,338	(34.9%)
Service Staff	\$14,310	\$22,706	(37.0%)
Total Average Reported Salary	\$34,326	\$37,286	(7.9%)

Source: FY 2006-07 EMIS data, as reported to ODE

¹ Initial analysis indicated that clerical salaries were higher in Anthony Wayne LSD than in the peers. This category included incorrectly coded personnel influenced the salary calculations. When corrected, the average salary for the clerical staff was comparable to or below the peers.

As shown in **Table 3-2**, the District's overall average salary is lower than the peer districts. However, Anthony Wayne LSD is above the peer average in the administrative, technical, and maintenance categories. Although its current financial condition may not warrant adjustments to salary levels, the District may need to examine its salaries in certain categories if its financial position deteriorates.

As a component of salaries, Anthony Wayne LSD pays for the employee's share of the retirement contribution for the Superintendent. Other District employees contribute to their

² Food service workers were also higher in Anthony Wayne LSD. However, food service operations are self-funded. If the General Fund is used to subsidize the Food Service Fund in the future, or if all costs are not charged to the Food Service Fund, Anthony Wayne LSD should examine this classification and the productivity levels of its food service workers.

³ All Other Personnel includes 36 FTE monitoring staff.

retirement through the salary reduction method. Additionally, the District offers a substitute rate of \$85 per day, which is in line with the rates offered by surrounding school districts.

Benefits

Anthony Wayne LSD's insurance plan provides medical, dental, prescription drug, and vision benefits to eligible employees through a health maintenance organization (HMO). The benefits are administered by Anthony Wayne LSD in accordance with the provisions of the group insurance contract issued by Aetna. The District also contracts with insurance consultants to manage competitive bids for insurance coverage, review benefit levels, and negotiate plan costs. The insurance consultants also present changes in coverage to District staff. The District periodically compares its coverage to the local insurance consortium to determine if it can achieve any cost savings by joining it. However, the District believes that, based on past experience, its insurance premiums are lower than the consortium's. Anthony Wayne LSD is also examining additional cost-saving strategies such as increasing employee contribution rates and requiring employees to enroll in a spouse's insurance plan when possible.

The District received a transitional work grant from the Bureau of Workers Compensation (BWC) to offset costs for implementing a transitional work program. The Transitional Work Program enables injured employees to return to work more quickly and safely, either in their original job or a temporary work assignment until they're ready to resume their original job. Although Anthony Wayne LSD uses some BWC premium reduction programs, the District's workers' compensation premiums are penalty rated (see **R3.4**).

Collective Bargaining Agreements

Anthony Wayne LSD's certified and classified employees are covered under the following collective bargaining agreements:

- **Anthony Wayne Education Association (AWEA) and the Anthony Wayne Local Board of Education:** This collective bargaining agreement is effective between July 1, 2004 and June 30, 2008. AWEA represents certified/licensed employees, both full and part-time under contract (20 or more hours per week).
- **Ohio Association of Public School Employees and Anthony Wayne Local Board of Education:** The collective bargaining agreement was effective between July 1, 2004 and June 30, 2007. The classified bargaining unit has agreed to work under the expired contract until the end of 2007. Membership in this collective bargaining unit is for all classified employees, excluding employees of the Superintendent's Office, the Treasurer's Office, all employees engaged in confidential duties, all employees whose primary duties are supervisory in nature, all employees that work at the Board Office, and all substitutes.

As part of the performance audit, certain contractual and employment issues were reviewed and compared to State law and industry benchmarks. Areas of analysis included common contractual provisions such as maximum sick leave accrual and severance payout, vacation, and the number of paid holidays (see **R3.5**).

Special Education

In order to control the cost of special education services, Anthony Wayne LSD uses contracted services in several areas and partners with neighboring districts for the provision of some services. The Director of Special Education also works closely with the EMIS Coordinator to ensure that the December Child Count is accurate, as the data collected is used to determine the amount of Special Education Part-B Individuals with Disabilities Education Act (IDEA) and Early Childhood Special Education funds allocated to the District.

Recommendations

Staffing

R3.1 Anthony Wayne LSD should provide ongoing training for EMIS coding and data entry to all employees responsible for entering EMIS data. Training will ensure that employees entered into the system are coded appropriately. The District may also consider creating an EMIS team to review data reports and ensure their validity before final submission. Additionally, the District should review, and revise if necessary, staff EMIS data submitted for FY 2007-08.

Anthony Wayne LSD uses EMIS to maintain its staffing data. However, a portion of the staff responsible for entering EMIS data has not received training. Anthony Wayne LSD has an EMIS Coordinator who is responsible for submitting EMIS data to ODE. The EMIS Coordinator has received formal training. However, the EMIS Coordinator enters only student data, while Treasurer's Office staff is responsible for entering employee data. During the course of this audit, EMIS data errors were identified, including three incorrectly coded positions, incorrect employee data (e.g. years of service and hourly rate), and inconsistent reporting of contracted staff.

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

The Ohio Association of EMIS Professionals (OAEP) recommends creating an EMIS team to work together throughout the year in the EMIS data process. In Anthony Wayne LSD, this team could include the following:

- EMIS Coordinator;
- Superintendent;
- Treasurer;
- Curriculum Director;
- Special Education Director;
- Vocational Director;
- Technology Coordinator;

- Building administrators; and
- Employees who are responsible for staff/payroll data.

Further, OAEP, local Information Technology Centers (ITCs), and ODE can serve as resources or provide training to District personnel on entering EMIS data.

OAEP states that if staff data maintenance and EMIS reporting are handled by two different individuals and/or offices, the data quality depends largely on how closely those individuals/offices work together and communicate. Staff must identify the risks of information disconnects and correct any problems that may arise, as data errors are increasingly scrutinized by the State.

Using a team approach and ensuring that employees entering EMIS data receive appropriate training will help Anthony Wayne LSD minimize data entry errors. As data errors can potentially affect funding, correct data is essential.

R3.2 Anthony Wayne LSD should develop a formal staffing plan, focused on the desired student-staff ratios, to address its current and future staffing needs. Similar to the plans developed by leading districts,⁴ Anthony Wayne LSD should consider establishing staffing allocations for administrative, certified, and classified personnel to help ensure the District proactively addresses its staffing needs. By developing a formal staffing plan, Anthony Wayne LSD can ensure that it is in compliance with State requirements and is aware of the impact current and future staffing levels will have on its budget.

Anthony Wayne LSD does not use a formal staffing plan to determine District staffing levels or staffing needs. Prior to FY 2007-08, building principals would examine enrollment projections each spring to determine certified personnel staffing levels for the upcoming school year. However, starting in FY 2007-08 staffing decisions are made during the summer and based on actual enrollment. Certified staffing levels are also determined by building and classroom capacity. Classified staffing levels are based on District benchmarks such as square footage, number of bus routes, and number of meals served.

Minimum staffing levels for classroom teachers, educational service personnel (ESP), and principals, as well as special education instructors and aides, are governed by Ohio Administrative Code (OAC) § 3301-35-05 and OAC § 3301-51-09. In order to meet specific staffing needs, *Strategic Staffing Plans* (the Society for Human Resources Management (SHRM, June 2002) notes that high performing organizations use plans and

⁴ Examples include Tulsa Public Schools (TPS) in Oklahoma and Lakota Local School District (LLSD) in Butler County, Ohio.

a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. In 2005, SHRM elaborated on the effect of strategic staffing plans on organizations in *Staffing Strategy over the Business Cycle* (2005). In detailing how organizations may react to changes in the business cycle, SHRM noted that reductions in staffing to meet declining labor needs often did not result in anticipated savings for 12 to 18 months. As a result, staffing plans, tied to strategic plans and organizational needs can help organizations better address the constraints of their operating environments.

Tulsa Public Schools (TPS) in Tulsa, Oklahoma has established a recognized leading practice staffing plan that incorporates state and federal regulations, workload measures, and industry benchmarks, as well as staffing levels determined by its administration. The plan outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. For example, food service staffing is determined using minimum target meals per labor hour calculations established by TPS. The plan bases custodial staffing levels on a calculation using the number of teachers, students and rooms and the total area of the buildings. The plan is used as a guide to determine staffing levels and allows TPS to ensure compliance, as well as provide staffing numbers to efficiently meet the needs of the District. Additionally, some Ohio schools developed staffing plans that meet best practice criteria. For example, Lakota Local School District in Butler County has a staffing plan similar to TPS in that it guides staffing decisions by using an assortment of variables and formulas.

Without a formal staffing plan that incorporates staffing requirements and District benchmarks, Anthony Wayne LSD may not effectively plan for future staffing or consistently meet State requirements. Developing a formal staffing plan and reviewing it annually will help ensure that the District allocates personnel in an appropriate and cost effective manner. Finally, Anthony Wayne LSD's use of a strategic staffing plan will help it better direct human capital to activities that support achievement of its mission and goals (see **R2.2 in financial systems**).

R3.3 Anthony Wayne LSD should consider reducing 11.0 ESP FTEs,⁵ 7.0 FTE clerical staff, and 22 FTE monitor staff to be in line with peer average staffing levels and avoid future financial deficits. While staffing levels were shown to be comparable to ODE's 20 similar districts, staffing levels in the aforementioned categories were high in comparison to the 10 high performing, low spending peers. Anthony Wayne LSD could reduce staffing in these areas to redirect resources into direct instruction and, over the long term, better manage the District's financial resources.

⁵ ESP personnel provide ancillary services, such as music and art instruction, physical education classes, nursing care, library and counseling services.

In 2006, ODE conducted a staffing analysis of Anthony Wayne LSD as compared to the ODE-identified 20 similar districts.⁶ In the analysis, Anthony Wayne LSD staffing levels were found to be comparable, while spending was \$580 less per student than the 20 similar districts. However, ODE’s analysis included districts that exhibit higher spending and/or lower performance than Anthony Wayne LSD.

Based on a comparison to high performing, low spending peer districts, Anthony Wayne LSD could reduce 11 ESP FTEs, while retaining over twice the State minimum required staffing level (ORC § 3317.023(A)(2)). **Table 3-3** shows Anthony Wayne LSD’s FY 2006-07 ESP staffing as compared to the peer average.

Table 3-3: FY 2006-07 ESP FTE Comparison

	Anthony Wayne LSD	Peer Average	Difference
ESP Teachers ¹	25.5	15.3	10.2
Counselors	10.5	7.3	3.2
Librarian / Media Specialist	2.0	1.7	0.3
School Nurses	4.0	0.7	3.3
Total ESP	42.0	25.0	17.0
Total ESP per 1,000 Students	11.6	8.6	3.0
Total ESP per 1,000 Average Daily Membership (ADM)	10.4	7.4	3.0
State Minimum Required ESP			18.1
ESP Staff Above/(Below) Peer District Average ²			10.9

Source: FY 2006-07 EMIS data as reported to ODE

¹ ESP teachers include K-8 art, music, and physical education teachers.

² Represents the number of FTE employees that if added or subtracted would bring the number of employees per 1,000 regular students in line with the peer average.

As shown in **Table 3-3**, ESP and counselors account for the largest discrepancy in staffing levels (66.6 and 43.8 percent higher than the peer average, respectively). To bring Anthony Wayne LSD in line with the peer average, the District would need to reduce 11 ESP FTEs. However, before making these reductions, the District should determine the impact on its overall education program and achievement of academic goals.

Additionally, Anthony Wayne LSD could reduce approximately 7 FTE clerical staff based on a comparison with the high performing, low spending peer districts. **Table 3-4** compares FY 2006-07 Anthony Wayne LSD clerical staffing to the peer average.

⁶ ODE’s analysis uses OAC, Ohio Operating Standards for Ohio Schools Serving Children with Disabilities, and State staffing averages in specific categories.

Table 3-4: FY 2006-07 FTE Clerical Staff Comparison

	Anthony Wayne LSD	Peer Average	Difference
Total Clerical Staff	27.0	18.1	8.9
Total Clerical Staff per 1,000 Students	6.7	5.1	1.6
Total Clerical Staff per School Building	5.2	3.5	1.7
Employees per Clerical Staff	15.7	17.6	(1.9)
Clerical Staff Above/(Below) Peer District Average¹			6.5

Source: FY 2006-07 EMIS data as reported to ODE

¹ Represents the number of FTE employees that if added or subtracted would bring the number of employees per 1,000 regular students in line with the peer average.

Anthony Wayne LSD has more clerical staff per 1,000 students and has fewer employees per clerical staff than the peer average. Reducing 7 FTE clerical staff would enable the District to reduce personnel costs while maintaining a staffing level similar to that of the peer average.

Lastly, Anthony Wayne LSD could reduce 22 FTE monitoring staff to bring its staffing levels in this category in line with the peer district average. Monitors in Anthony Wayne LSD supervise students in the cafeteria, on buses, and on the playground. **Table 3-5** compares monitoring staff in Anthony Wayne LSD to the peer average for FY 2006-07.⁷

Table 3-5: FY 2006-07 FTE All Other Reported Personnel Comparison

	Anthony Wayne LSD	Peer Average
Monitor Staff per 1,000 ADM	8.17 ¹	2.1
Monitor Staff per 1,000 ADM After Reduction	2.65	2.1
Monitor Staff (FTEs)		33.0
Staff Above/(Below) Peer Average ²		22.3
Monitor Staff After Reduction		10.7

Source: FY 2006-07 EMIS data as reported to ODE

¹ FTE employees have been adjusted to exclude bus monitors that are mandated by students' IEPs and varies from the number of FTEs shown in **Table 3-1**.

² Represents the number of FTE employees that if added or subtracted would bring the number of employees per 1,000 students in line with the peer average.

Anthony Wayne LSD has almost four times the monitor staff as the peer district average. District administrators indicated that, based on student demand and expected work load, additional staff in these capacities is warranted. However, employing higher staffing levels in this area increases personnel costs and diverts scarce resources away from direct instruction.

⁷ Anthony Wayne LSD staffing levels have been adjusted to exclude bus aides which are mandated by special needs students' individualized education programs (IEP).

Financial Implication: If Anthony Wayne LSD were to reduce 11 ESP FTEs, 7 FTE clerical staff, and 22 FTE monitor staff, the District would save approximately \$478,500, \$131,600, and \$191,000, respectively, for an annual cost savings of approximately \$800,000, including benefits.

Benefits

R3.4 Anthony Wayne LSD should work with the Bureau of Workers’ Compensation (BWC) to participate in its Premium Discount Program + (PDP+) and Drug-Free Workplace Program (DFWP). In conjunction with implementing its Transitional Work Program, the District should continue its efforts to reduce its workers’ compensation premiums by providing additional training. Doing so will help increase worker safety while reducing workers’ compensation premiums.

In FY 2002-03, Anthony Wayne LSD began its participation in the Traditional Work Development Program and received the first of three installments of a transitional work grant from BWC for \$16,800.⁸ BWC also provided training in safe procedures for conducting certain aspects of work and notification procedures in case of incident. However, the District has not taken advantage of several BWC programs that could be used to lower its premiums. **Table 3-7** illustrates the District’s Workers’ Compensation base rate, premium rate, and experience modification percent (EM%).

Table 3-6: Workers’ Compensation Rating History

	2005	2006	2007	Average
Base Rate	1.25	1.17	1.18	1.20
Premium Rate¹	0.018	0.017	0.018	0.018
EM%²	126	123	130	126

Source: BWC and Anthony Wayne LSD

Note: The calculations from BWC are based on the payroll periods for calendar years, not fiscal years. The rates are sent in December for the following calendar year. The dates above reflect the payroll-reporting year that BWC billed the District.

¹ The premium rate is per \$1 of payroll reported.

² The EM% signifies whether an employer’s losses are better or worse than the average anticipated losses for similar type and size employers. If the EM% is greater than 100 (penalty rated), it indicates that losses are greater than the anticipated losses and premiums will be higher.

As shown in **Table 3-6**, Anthony Wayne LSD exceeded the EM% of 100 percent in each of the last fiscal years which will, in the future, lead to higher premiums. BWC offers two programs specifically focused on helping government entities reduce their BWC premium amounts—the PDP+ and the DFWP. Eligible employers may participate in the

⁸ BWC’s Transitional Work Development Program offers productive work to injured workers and helps them to remain at or return to work sooner. Injured employees can return to work more quickly and safely, either in their original job or a temporary work assignment until they are ready to resume their original job.

DFWP and PDP+ during the same policy year and stack the discount amounts for both programs.

The PDP+ is designed to assist experience-rated employers⁹ having a 90 percent or greater experience modifier establish a safer, more cost-effective workplace. Employers implementing BWC's 10-Step Business Plan (as a part of the PDP+), will receive premium discounts of up to 10 percent for each of the first two years of participation and up to 5 percent the third year. However, the premium discount cannot take the premium rate below a 90 percent experience modification. The *PDP+ Self-Implementation Workbook* (BWC, 2006) provides employers with initial guidance in implementing the program. Employers who enroll in PDP+ must develop a plan of action for the implementation of this program and report annual progress, using the self-assessment form.

The DFWP is designed to help employers deter, detect, and take corrective action related to substance use that affects workplace safety. Participants must develop a substance policy that describes their drug-free program. The policy should describe annual employee education and supervisor training, drug and alcohol testing, and employee assistance, which – along with the written policy – comprise the key components of any effective drug-free workplace program. Savings related to participation in the DFWP are categorized into three levels with corresponding requirements. The Level 1 program provides a 10 percent discount and must include pre-employment and/or new hire, reasonable suspicion, post-accident, and follow-up drug testing. In addition, employers must do annual employee education and supervisor training and develop a list of local community resources that employees with problems can turn to for assistance. The Level 2 program includes some additional requirements and provides a 15 percent discount. Level 3 programs provide a 20 percent discount and require 25 percent random drug testing, employee education, supervisor training and expanded employee assistance. Employers must also implement all 10 steps of the 10-Step Business Plan.

In the past, the District has not been proactive in controlling workers compensation claims or has not been able to handle claims in a timely manner. Implementation of the DFWP and PDP+ will provide a greater level of program organization and help to prevent employees from sustaining on-the-job injuries. The Traditional Work Development Program will help the District in transitioning injured employees back to work. Taken as a whole, the programs will help Anthony Wayne LSD reduce the costs of workers compensation.

Financial Implication: If Anthony Wayne LSD implemented both PDP+ and DFWP Level 1, the District could save an estimated \$46,000 in the first year of implementation.

⁹ Experience rated clients are those not in a group rating, retrospective rating, or one claim program.

*Collective Bargaining***R3.5 Anthony Wayne LSD should seek to renegotiate provisions within its collective bargaining agreements that exceed industry standards and State requirements. These provisions can be costly and successful renegotiation would allow the District to reduce associated personnel costs.**

Collective bargaining agreement provisions in Anthony Wayne LSD's negotiated agreements were compared to best practices, as well as ORC and OAC requirements. The following items within the negotiated agreements were identified as exceeding minimum standards and could be costly for the District:

- **Maximum sick leave accrual:** Eligible certified employees can accrue between 140 and 146 more sick leave days than the minimum (120 days) stated in ORC § 3319.141. Eligible classified employees can accrue 115 more days than the minimum stated in ORC.
- **Severance pay-out:** Eligible certified employees can receive payment for up to 47 days above the State minimum (30 days) included in ORC § 124.39 . In FY 2007-08, employees can receive up to 48 days more than the State minimum. Eligible classified employees can receive payment, upon retirement from the District, 20 or more days beyond the minimum required by ORC.

In addition, Anthony Wayne LSD's classified negotiated agreement contractual items are not aligned with industry standards and State requirements:

- **Vacation:** Eligible employees, after 15 years of service, receive 1 more week of vacation than is required by ORC § 3319.084.
- **Direct deposit:** Anthony Wayne LSD does not require employees to enroll in direct deposit for paychecks. *Why to Offer Direct Deposit to Employees* (Direct Deposit and Direct Payment Coalition, March, 2000) recommends that all employers require direct deposit. Employers can attain cost savings (up to \$1.25 per check) by using direct deposit. Further, direct deposit eliminates the need for delivering checks and storing un-issued checks, and reduces the chance of lost or stolen checks. Time is also saved by streamlining payroll reconciliation and end-of-the-year tax reporting.

Although many districts offer leave accrual and severance payouts in excess of State minimums, negotiating contracts that provide benefits in excess of State requirements or industry standards can create an additional financial burden for the District. Often these items are provided in lieu of negotiated wage increases; however, over time, these

provisions become a standard component of employee benefits within the District, their original purpose forgotten. Finally, as salary costs increase, the cost to the District for higher severance payments and vacation accrual rates also increases.

Financial Implication: The potential cost savings for reduced sick leave accrual, severance buy-out and vacation accrual is difficult to calculate, as it is dependent on the number of people exercising these benefits in any given year. However, if Anthony Wayne LSD required all employees to use direct deposit, the District could save over \$1,000 per year, based on the 33 employees who do not participate in direct deposit.

Human Resources Management

R3.6 The Anthony Wayne LSD Board of Education (the Board) should ensure that it conducts timely and effective evaluations of senior administrators. Evaluations of the Superintendent and the Treasurer are a primary responsibility of the Board. As a result, the Board should design an administrative procedure to regularly evaluate its top administrators. An effective method of conducting evaluations for these positions is to annually discuss goals and then measure goal achievement at the close of the year.

In addition, annual self-evaluations would help the Board assess its own level of goal achievement. Self-evaluations could assist the Board in improving internal communication by better illustrating its annual goals and achievements. Likewise, the act of setting goals and measuring progress would help strengthen the Board's role as the District's governing body.

Anthony Wayne LSD's Board does not conduct annual evaluations of its top administrators. The Superintendent stated that he will be evaluated in December 2007.¹⁰ The Treasurer had not been evaluated at the time of this audit but expected to be evaluated before the expiration of her employment contract (January 31, 2009). The Board also has not conducted a self-evaluation.

According to *Boardmanship: A Handbook for School Board Members* (ODE, 1992), a school board's responsibilities include evaluating senior staff on a regular basis. The National School Boards Association (NSBA) publication *Becoming a Better Board Member* (NSBA, 2006) provides guidelines for evaluating superintendents that could be applied to all members of senior staff. Specifically, NSBA states that any evaluation should be focused on what the board wants to accomplish for the district, what the law says the district must do, what the administrator's roles and responsibilities are, and how well the duties are fulfilled.

¹⁰ The superintendent's contract extends until July 31, 2010

NSBA also recommends that board members engage in regular self-evaluations to ensure that they continue to exercise the most effective leadership possible. While there is no one correct method of a board self-evaluation, NSBA provides standards that school board veterans recognize as essential evaluation elements and outcomes. These standards recommend the evaluation cover the whole board (not individuals), assess both strengths and weaknesses, be based on board goal achievement, and include actions for improving board performance. Board self-evaluations should occur annually.

The Superintendent and Treasurer have not been evaluated because, at the time of the audit, they were relatively new to their positions. However, the Board has not established a procedure or timeframe for conducting evaluations. An effective performance evaluation system requires the Board to communicate job standards and other expectations to its chief administrators before the evaluation period begins. By doing so, the Superintendent and Treasurer will know what constitutes good performance and the Board can then more objectively assess performance. Furthermore, conducting self-evaluations would allow the Board to monitor its own performance and set goals to strengthen its leadership responsibilities.

Board of Education and District Governance

R3.7 The Board should implement a formal new member orientation program that includes relevant information on general responsibilities, school/community relationships, school finance, curriculum and instruction, administration and staff, and school facilities. Implementing a formal new member orientation program will help new Board members adapt to their roles. Furthermore, it will help the Board as a whole operate in a more effective manner. Board members should also seek continuing education opportunities, such as those offered by the Ohio School Boards Association (OSBA). Finally, Anthony Wayne LSD should track the training hours and courses attended by each Board member.

Board member training has been inconsistent within Anthony Wayne LSD and the District does not have an orientation program for new Board members. Some Board members have attended the OSBA Capital Conference. District administrators are considering a work session with Board members in January 2008; topics would include boardmanship and general orientation information for new Board members.

According to *Becoming a Better Board Member* (NSBA, 2006), orientation and reference material should be available to new board members. The following five resources are considered essential in an orientation packet:

- **School-community relationships and general responsibilities:** A personal copy of written board policies and district administrative rules, minutes from the past year’s board meeting, an explanation of the school board organization (officers, standing, committees etc.), a list of board member development opportunities throughout the year, an explanation of how board meetings are conducted (including parliamentary procedures), and an explanation of the authority and responsibilities of the board, superintendent, administrators, and individual board members.
- **School finance:** A copy of the district’s budget, an explanation of the funding process for the school district, data on district per pupil cost and expenditures, and a description of enrollment trends and projections.
- **Curriculum and instruction:** A copy of the district’s written statement of educational philosophy, an explanation of curriculum standards required by state law and implemented by rules of the state department of education, and the district’s technology plan that outlines instructional technology needs.
- **Administration and staff:** An organizational chart of the district’s management structure, a copy of job descriptions of top administrators, and a copy of the district’s collective bargaining agreements.
- **School district facilities:** A list showing the number of, location, and condition of schools and other buildings owned or operated by the district.

Additionally, OSBA offers a variety of training courses and seminars for board members. Many online trainings are available free of charge and typically vary from as short as 10 minutes to more than an hour. The following are examples of OSBA training sessions which could benefit Anthony Wayne LSD’s Board:

- Board/Leadership Team Relationship;
- Effective Policies;
- Roles and Responsibilities of a School Board Member;
- Speaking One Voice – Communication as a Board;
- Running an Effective Board Meeting; and
- Superintendent/Board Relationship.

OSBA also offers a full day workshop for board presidents for a fee of \$100.

At the time of the audit, each Anthony Wayne LSD Board member had 7 to 12 years experience as a Board member. However, ongoing Board training would assist members in honing their skills as Board members. Board member orientation and ongoing training helps to ensure that all Board members are well-informed about their role in District governance so that they may more effectively oversee District operations.

Financial Implications Summary

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

Financial Implications for Human Resources

Recommendation	Annual Cost Savings
R3.3 Reduce 11 ESP FTEs.	\$478,500
R3.3 Reduce 7 FTE clerical staff.	\$131,600
R3.3 Reduce 22 FTE monitoring staff.	\$191,400
R3.4 Implement BWC's PDP+ and DFWP Level 1.	\$46,000
R3.5 Implement direct deposit for all employees	\$1,000
Total Annual Cost Savings	\$848,500

Source: AOS Recommendations

Note: Implementation of **R3.4** and **R3.5** may require collective bargaining.

Facilities

Background

This section of the performance audit focuses on custodial, maintenance, and building operations in the Anthony Wayne Local School District (Anthony Wayne LSD). A summary of audit objectives is presented in the **executive summary**. The purpose of this section is to analyze building operations and to develop recommendations for improvements in efficiency and possible reductions in expenditures. Comparisons are made to leading practices and benchmarks from the following organizations: the National Center for Education Statistics (NCES), the American School and University Magazine (AS&U), DeJong and Associates, Inc., the American Society for Quality (ASQ), the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), Maintenance Solutions Magazine, the National State Auditors Association (NSAA), the Ohio Bureau of Workers' Compensation, and the Office of the Legislative Auditor (OLA) of the State of Minnesota.

Anthony Wayne LSD consists of six school buildings: three elementary schools (grades kindergarten to 4), one middle school (grades 5 to 6), one junior high school (grades 7 to 8), and one high school (grades 9 to 12). An additional four facilities are found throughout the District. The administration facility, built in FY 2004-05, is located approximately one mile from the high school campus. The Burdo building, located on the high school campus, houses the Operations Department (the Department) that is responsible for the custodial, maintenance, and grounds keeping functions. The remaining facilities located are on the high school campus: a bus garage and an athletic facility.¹

Organizational Structure and Function

Table 4-1 illustrates the District's total Department staffing levels by position and by full-time equivalent (FTE) in FY 2007-08.

¹ The athletic facility is located on the central campus with the middle school, junior high school, and high school and consists of a locker room, an equipment storage room, and a concession stand.

Table 4-1: FY 2007-08 Department Staffing

Classification	Number of Positions	Number of FTEs
Total Administration	4	4.0
Director of Operations	1	1.0
Operations Secretary	1	1.0
Custodial Supervisor	1	1.0
Maintenance Supervisor	1	1.0
Total Maintenance¹	4	3.5
Total Grounds¹	3	2.5
Total Custodians	39	30.7
Building Engineer (Head Custodian)	7	7.0
Custodian	32	23.7
Total Facilities Staff	50	40.7²

Source: Anthony Wayne LSD staffing information.

¹ Some maintenance and grounds-keeping functions are shared. This category also includes personnel completing delivery functions.

² The number of custodial and maintenance employees in the **facilities** section differs from that of the **human resources** section because of the manner in which the Education Management Information System (EMIS) report presents FTE equivalents by position.

The Director of Operations (the Director) performs administrative functions for the Department, such as maintenance and custodial work prioritization, personnel and contract management, and conducting employee performance evaluations on an annual basis. The Director's secretary allocates 30 percent of her time to facilitating departmental communications, such as radio and telephone service calls, dispatching appropriate personnel for service calls, and scheduling and coordinating approved repairs and service calls. The remaining 70 percent of the secretary's time is spent completing payroll, processing purchase orders, coordinating District interschool shipments, and performing other administrative tasks.

The head custodians report directly to the maintenance supervisor and are responsible for security, energy management, mechanical checks, service calls, and light cleaning during the school day. The custodial staff report to the building principals and custodial supervisor and are responsible for providing a clean and safe environment for the District's students, employees, and community members. The maintenance staff report to the maintenance supervisor and are responsible for day-to-day light building maintenance and grounds-keeping.

Key Statistics

Key statistics related to Anthony Wayne LSD's Operations Department are presented in **Table 4-2**. In addition, results from the *36th Annual Maintenance & Operations Cost Study* (AS&U, 2007) and statistics from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) are used in **Table 4-2** and throughout this section of the performance audit. AS&U conducted a detailed survey of administrators at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. AS&U also provides a national median for each expenditure category. In some areas, NCES benchmarks were used as they provide standards that reflect a higher degree of efficiency or effectiveness.

Table 4-2: FY 2006-07 Key Statistics and Indicators

Number of Buildings	10
Elementary Schools	3
Middle School	1
Junior High School	1
High School	1
Administration	1
Other ²	3
Total Square Feet Maintained	449,677
Elementary Schools	148,600
Middle School	58,552
Junior High School	67,483
High School	168,791
Administration	N/A ¹
Other ²	6,252
Square Feet Per FTE Custodial Staff Member (30.7 FTEs)	14,663
Elementary Schools (11.3 FTEs)	13,189
Middle School (4.1 FTEs)	14,398
Junior High School (4.7 FTEs)	14,461
High School (9.9 FTEs)	17,107
Administration	N/A ¹
Other ² (0.8 FTEs)	18,019
NCES Average	29,500
Square Feet & Acreage Per FTE Maintenance/Grounds Staff Member (6.0 FTEs)	N/A³
Square Feet Per FTE Maintenance (3.5 FTEs)	128,479
AS&U 36th Annual Maintenance & Operations Cost Study National Median	86,194
Acreage Per FTE Groundskeeper (2.5 FTEs)	57
AS&U 36th Annual Maintenance & Operations Cost Study National Median	44
FY 2004-05 Maintenance and Operations Expenditures Per Square Foot	\$6.59
Custodial and Maintenance	\$5.23
Utilities	\$1.36
AS&U 36th Annual Maintenance & Operations Cost Study National Median	\$5.09

Source: Anthony Wayne LSD's Operations Department staffing report FY 2006-07, District reported building statistics, AS&U 36th Annual Maintenance & Operations Cost Study, and NCES.

¹ Anthony Wayne LSD contracts for custodial services at the District's administration building. The cost for this service is approximately \$1.97 per square foot or approximately \$23,000 based on the finished square footage of 11,628.

² Includes the football/soccer locker room and concession stand, Burdo building, and transportation building.

³ Square feet and acreage per FTE maintenance/grounds staff member could not be combined to generate a grand total per FTE because Anthony Wayne LSD separates these job tasks. However, groundskeepers perform light maintenance during the winter months.

As shown in **Table 4-2**, Anthony Wayne LSD's custodial staff maintains fewer square feet per FTE than the NCES benchmark of 29,500 square feet per FTE. Additionally, the District contracts for custodial services at the Administration building.² While the maintenance staff maintains more square feet per FTE than the AS&U national median, maintenance and grounds staffs assist each other as opportunities permit. Therefore, the District may be able to better balance its custodial effort by reallocating job duties and reducing staffing levels to meet the national benchmarks (see **R4.1**).

Table 4-3, compares Anthony Wayne LSD's expenditures per square foot to the AS&U national median.

Table 4-3: Operations Expenditures per Square Foot

Cost Area	Anthony Wayne LSD FY 2005-06	Anthony Wayne LSD FY 2006-07	Percent Change	AS&U National Median	Percent Difference ¹
District Square Footage	561,439	561,439			
Salaries/Benefits Per Square Foot	\$3.89	\$4.07	4.6%	\$2.56	59.0%
Purchased Services ² Per Square Foot	\$1.05	\$0.94	(10.4%)	\$0.01	> 100.0%
Utilities Per Square Foot	\$1.49	\$1.36	(8.5%)	\$1.71	(20.2%)
Supplies/Materials Per Square Foot	\$0.60	\$0.19	(68.7%)	\$0.32	(41.7%)
Other ³ Per Square Foot	\$0.05	\$0.03	(46.1%)	\$0.49	(94.3%)
Total General Fund Expenditures Per Square Foot	\$7.08	\$6.59	(6.9%)	\$5.09	29.5%

Source: Anthony Wayne LSD financial records for FY 2005-06, BUDSUM for Fiscal Year 2007 and the AS&U 36th Annual Maintenance & Operations Cost Study national median.

¹ Percent difference represents the difference between Anthony Wayne LSD FY 2006-07 expenditures and the FY 2006-07 AS&U national median.

² Purchased services excludes utilities.

³ Other includes capital outlay expenditures, insurance, clerical costs, equipment repair and rental, and travel.

As shown in **Table 4-3**, Anthony Wayne LSD's total cost per square foot in FY 2006-07 was 6.9 percent lower than in FY 2005-06 but approximately 29.5 percent higher than the FY 2006-07 AS&U national median. The District's increase in salaries and benefits was driven by high staffing levels (see **R4.1**), negotiated annual wage increases, and step increases based on employees' years of experience. Anthony Wayne LSD decreased purchased services by reducing expenditures on contracted services, facility maintenance and repair, and property insurance. Savings experienced in utilities expenditures were due to the implementation of energy management practices that rely on District staff to monitor and reduce energy consumption.

² The cost for this service is \$1,900 per month or about \$23,000 annually.

Anthony Wayne LSD's decrease in supplies and materials expenditures, as well as other operations cost areas, helped the District in averting its potential deficit. Maintaining reduced Operations Department expenditures would assist Anthony Wayne LSD in achieving a total General Fund expenditure per square foot that is more in line with the AS&U national median. Finally, reduced expenditures in this area would allow the District to redirect scarce resources toward direct instruction and better maintain solvency over the long-term.

Recommendations

R4.1 Anthony Wayne LSD should reduce custodial staffing by 15 FTE through implementation of the NCES standard of 29,500 square feet per FTE custodian. Operating at this level of cleanliness is considered the norm for most school facilities and it is acceptable to most stakeholders, while not posing any health issues (see Table 4-2).

In FY 2007-08, there are approximately 30.7 FTE custodians maintaining 449,677 square feet or 14,663 square feet per FTE employee. The District determines custodial staffing per building by assigning approximately 18,255 square feet per FTE employee. Only 23.7 FTE custodians are assigned cleaning duties. The remaining 7.0 FTE custodians, the District's head custodians, are responsible for building security, energy management, mechanical checks, service calls, and occasional cleaning.

As indicated in **Table 4-1**, the District's total staffing in FY 2007-08 was 36.7 FTEs for custodial, maintenance, grounds keeping, and delivery functions. **Table 4-4** illustrates square footage maintained per FTE custodian.

Table 4-4: Anthony Wayne LSD Custodial Staffing by Building

Building Type	Total Area Cleaned & Maintained	FTE Custodians	Current Area per FTE Custodian	NCES Recommended FTE Custodians	FTEs Above/ (Below) Benchmark
Elementary	148,600	11.3	13,189	5.0	6.2
Middle School	58,552	4.1	14,398	2.0	2.1
Junior High School	67,483	4.7	14,461	2.3	2.4
High School ¹	173,607	10.4	16,693	5.9	4.5
Transportation	1,436	0.3	5,385	0.0	0.2
Total	449,677	30.7	14,663	15.2	15.4

Source: Anthony Wayne LSD staffing report and the NCES Planning Guide for Maintaining School Facilities.

¹ Includes the athletic building.

Implementing a Level 3 standard of cleanliness (approximately 29,500 square feet per FTE) would provide Anthony Wayne LSD with the opportunity for staff reductions of approximately 15 FTE custodians.

Allocating square footage cleaned per FTE custodian at a level about half of the NCES benchmark has resulted in the Department's high personnel costs per square foot relative to the AS&U national median (see **Table 4-3**). Consolidating custodial staffing levels to a square footage per custodian that is more in line with the NCES benchmark, would bring Anthony Wayne LSD's staffing costs per square foot more in line with the AS&U national median (\$2.97 for Anthony Wayne LSD versus \$2.56 for AS&U).

Financial Implication: If Anthony Wayne LSD increased custodial square footage cleaned to the NCES level 3 average of 29,500 by eliminating 15.0 FTE custodians, the District could save approximately \$596,000 in salaries and benefits in FY 2008-09 and approximately \$2.5 million over the forecast period.

R4.2 Anthony Wayne LSD should establish a formal policy and procedures manual for its custodial and maintenance operations to help the staff better maintain functional, clean, and safe facilities and to perform at benchmark workload levels. The policy and procedures manual should cover work processes and management, physical asset management, and resource management. Furthermore, the District should review its Department policies and procedures annually and update them as needed.

In conjunction with the policy and procedure manual, Anthony Wayne LSD should develop formal performance standards for custodial and maintenance operations. Developing performance standards, such as expected workload, will ensure that all personnel are familiar with work expectations and that employee performance appraisals are conducted in an objective manner.

Anthony Wayne LSD does not have a custodial or maintenance handbook. The Director annually provides staff with comprehensive cleaning standards and feedback on their performance which is communicated through memos and other electronic forms of communication.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends that every operations department have a policy and procedures manual to govern day-to-day operations. The manual should be readily accessible (perhaps through the district's intranet or Internet), and written at a level consistent with the reading ability of department members. NCES suggests that a maintenance manual include items like repair standards, vehicle use guidelines, work order procedures, and security and safety procedures.

According to NCES, the need to develop and maintain a custodian handbook is a response to changes in a district's custodial needs and the continual development of new products and equipment. The International Sanitary Supply Association (ISSA) recommends custodial policies and procedures contain, at a minimum, standards for the following areas:

- Floor finish application;
- Damp/wet mopping;
- Proper dilution methods;
- Wall Washing;
- Scrubbing/stripping;

- Carpet care and maintenance;
- Dust mopping;
- Oscillating and multiple brush floor scrubbers;
- Rotary floor machines;
- Spray buffing/high speed burnishing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) *Information Brief: Report No. 01-57* (OPPAGA, 2001) recommends that districts establish performance standards for commonly repeated tasks to ensure employee familiarity with assigned work and to facilitate performance appraisals.

Furthermore, NCEC states that to assess staff productivity and ensure that all schools are maintained equitably, a district must establish performance standards. Examples of these custodial performance standards include the amount of floor space or number of rooms cleaned, the cleanliness of those facilities, and employee attendance history. Formal performance standards help to ensure that all custodial employees are objectively evaluated based on an effective and efficient standard when completing assigned tasks.

Outdated or informal policies and procedures could result in inconsistent work management; this, in turn, could lead to inconsistent and potentially inappropriate application of cleaning procedures and chemicals. However, written policies and procedures would provide a resource to Department staff if questions arise, ensuring that issues are managed in a consistent manner. For example, sanitary procedures documented in a procedural manual could be consulted to ensure that appropriate techniques are applied in specific environments. Lastly, written and clearly communicated policies and procedures establish performance expectations and help to provide an objective means for evaluating Department staff. This recommendation could be implemented at no additional cost to the District.

R4.3 Anthony Wayne LSD should routinely compare its Department maintenance and operations procedures, practices, and costs to benchmarks developed by local and national professional organizations. Continued analysis of Departmental efficiency will enable the District to identify opportunities to reduce costs and improve its operations.

Anthony Wayne LSD does not compare its Departmental operations and practices to benchmark criteria. However, the District monitors and reports energy usage and costs to an energy vendor. This process enables the District to address any anomalies noted in energy cost or usage immediately.

Each year, AS&U uses a survey process to document maintenance and operation (M&O) costs. These costs may include salary/payroll, outside contract labor, utilities, gas, electricity, trash collection/disposal, maintenance and grounds equipment and supplies, and other costs, as well as various maintenance practices. The annual M&O cost study offers various tables and charts that can help districts benchmark their M&O expenditures.

By routinely comparing Departmental procedures, practices, and costs to national benchmarks and industry standards, Anthony Wayne LSD could better evaluate the efficiency and effectiveness of its own operations. After identifying areas of operational inefficiency, Anthony Wayne LSD could then take action to improve Departmental operations. Routinely reviewing and modifying the steps in the performance management process will enable the District to improve the efficiency and effectiveness of its Departmental operations.

R4.4 Anthony Wayne LSD should provide training to its Maintenance and Operations Department employees when cleaning or maintenance standards are changed due to the introduction of new equipment, technology, or procedures. To reduce training costs, the District should, whenever possible, use manufacturer-sponsored training programs to acquaint employees with new processes and equipment.

In addition, Anthony Wayne LSD should document the completion of training programs for new employees, as well as ongoing training programs for veteran employees, to ensure that staff members receive the most up-to-date training available and enhancements are made to the overall effectiveness and efficiency of the Department.

Anthony Wayne LSD has not developed a formal training program that encompasses new employee training, ongoing training programs on standard and routine procedures, and new equipment, technology, or procedures training. However, according to the Director, new custodial and maintenance staff members view applicable procedural videos. Additionally, the Director stated that the custodial and maintenance staff receives training from outside vendors whenever new equipment or technology is implemented.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) suggests that because a person has been taught how to perform a specialized task does not mean that he or she will be able to perform the task in the future, especially if the task is not a regular part of his or her routine. While there is a trade-off between the benefits of staff training and the cost of lost work time during training, preparing staff to perform their work properly, efficiently, and safely is generally cost-effective. Documenting ongoing training programs would help the District record any training events that were conducted and who

completed the events. This would serve as a monitoring system to ensure that all Departmental staff are completing the required training.

Anthony Wayne LSD can ensure that all Department staff members have a basic knowledge of the latest equipment and procedures by formally implementing and documenting a comprehensive training program. Employees that are properly trained should be able to meet performance standards that result in clean, well-maintained facilities at a reasonable cost. Finally, according to the Bureau of Workers' Compensation (BWC), training can save the District money by reducing healthcare costs, employee absenteeism, and employee turnover (see the **human resources** section).

R4.5 Anthony Wayne LSD should develop a comprehensive facility master plan³ that incorporates the building capacity and utilization statistics, previously completed by outside planning consultants, and should be linked to the District's overall strategic plan (see R4.8 and the financial systems section). The facility master plan should be a road map for addressing future facility needs and planned educational programs and used as a foundation to initiate a formal facility auditing program.⁴ Formally documenting the facility evaluation process through facility audits will help to ensure proper issues are addressed in a timely manner and all safety and health guidelines are followed.

Anthony Wayne LSD has purchased services from a planning consultant to complete enrollment projections and capacity and utilization studies for each of its buildings. However, the District does not have a comprehensive facilities master plan that includes long- and short-term goals. Likewise, annual evaluations of District facilities do not occur as part of a formal evaluation process and are not documented. The Director considers building conditions when completing building walkthroughs; this information is used to plan summer custodial and maintenance projects.

Creating a Successful Facility Master Plan (DeJong and Staskiewicz, 2001) describes a facility master plan as clearly identifying what buildings are going to be kept, which should be discontinued, which are going to be renovated, and what, if any, new buildings are going to be built. It should be developed based on sound data and community input, and should be a road map for addressing the district's facility needs. The plan should not be based solely on facility conditions and demographics; however, the District should consider these factors in the development of the plan.

³ A district-wide plan for all facilities.

⁴ A facility audit is a comprehensive review of a district's assets, and is a standard method for establishing a baseline of information about the components of existing facilities.

The facility master plan should specify the projects that have been identified, the timing and sequencing of the projects, and their estimated costs. A facility master plan typically spans ten-years, and therefore, will need to be updated, at least annually, to incorporate improvements, changes in demographics, or other educational directions. A successful facility master plan typically includes the following elements:

- Historical and projected enrollment;
- Demographic profile of the community/school district;
- Facility inventory – condition assessment of school facilities, educational adequacy assessment of the facilities;
- Capacity analysis and projection;
- Academic goals and the role of facilities in achieving them; and
- Financial and tax information.

In order to ensure that the master plan targets the most critical facility issues, facility audits should be conducted on an annual basis. *The Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends that facility audits be a routine part of the facilities maintenance program. Facility audits are important because they help planners, managers, and staff members understand the condition of facilities, service history, maintenance needs, and location. Facility audits rely on facts, rather than guesswork, to establish plans for maintaining and improving school facilities, and allow in depth analyses of product life cycles to occur on a routine basis, measuring actual life versus expected life. Once initiated, audits must be performed on a regular basis (e.g. annually) because conditions change constantly. If facility audit reviews are an ongoing feature of maintenance management, compiling and maintaining each year's data makes the next year's audit task easier.

NCES further notes that by integrating the findings of annual audits over time, planners can confirm facilities and components' life cycles, the impact of various maintenance strategies and efforts on product life cycles, and the future demands the aging process might place on the infrastructure of a school district. This information can be used to increase the efficiency and cost-effectiveness of facility use and maintenance efforts in the future.

A facility master plan, if developed appropriately, has the potential to have a significant effect on the quality of education in the District. Furthermore, by developing and implementing an accurate master plan, the District will be in a better position to plan for the future of its facilities. The development of a facility master plan will also require the collaboration of educators, administrators, policy makers, and community members, which provides a route to communicate the elements incorporated in the master plan to all stakeholders.

R4.6 Anthony Wayne LSD should update its computerized maintenance program to ensure it encompasses recommended elements; particularly, routine, preventive, and predictive maintenance, as well as facility audit information. Similarly, the District should include a method for prioritizing projects and predicting costs. A well developed maintenance program helps to ensure equipment reliability, reduce operating costs, and increase the life expectancy of facilities and equipment (See also R4.9).

Anthony Wayne LSD has implemented a formal preventive maintenance program and has purchased computer software to help it manage the program. The Director usually maintains the preventive maintenance module. Although Anthony Wayne LSD has been proactive in implementing a formal preventive maintenance program, the District has not incorporate the elements necessary to ensure adequate routine and predictive maintenance measures are being taken.

The Planning Guide for School Maintaining School Facilities (NCES, 2003) states that maintenance entails much more than just fixing broken equipment. In fact, a well-designed facility management system generally encompasses four categories of maintenance: emergency or response, routine, preventive, and predictive. The *Preventive Maintenance for Local Government Buildings* (OLA, 2000) established guidelines for preventive maintenance for government buildings. These guidelines suggest the following seven best practices:

- Inventory building components and assess their conditions;
- Build the capacity for ranking maintenance projects and evaluating their costs;
- Plan strategically for preventive maintenance in the long and short term;
- Structure a framework for operating a preventive maintenance program;
- Use tools to optimize preventive maintenance programs;
- Advance the competence of maintenance workers and managers; and
- Involve appropriate maintenance personnel in decision making and in communicating buildings' needs.

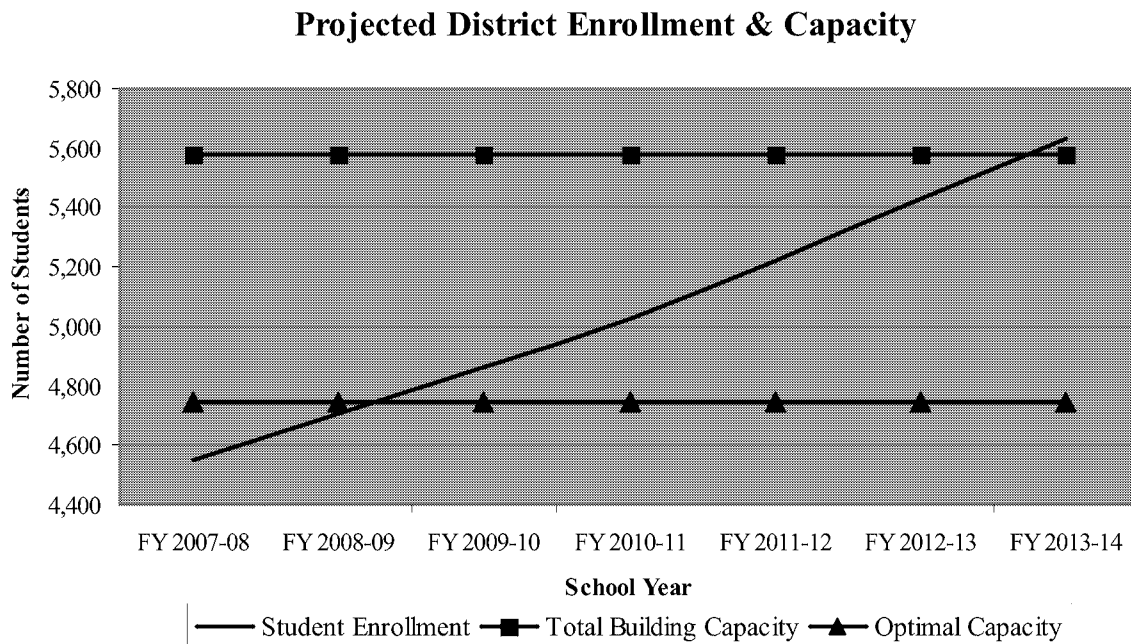
If Anthony Wayne LSD incorporates both NCES and OLA suggested guidelines into its maintenance program, the District could collect and retain better information about the costs to maintain and repair critical building systems. Furthermore, the inclusion of additional prioritization factors in its computerized maintenance program will assist the District in tracking and completing preventive, routine, and predictive maintenance. These tasks, if overlooked, could lead to increased future facility liabilities.

R4.7 Anthony Wayne LSD should develop and annually update building capacity and enrollment projections. These projects could improve financial and facility use projections. (See also the financial systems section). Furthermore, the District should develop alternatives to address capacity issues. Options for increasing classroom space include additions to existing facilities, new construction, or rented or rehabilitated facilities.

Anthony Wayne LSD outsources the development of District building capacity and enrollment projections. The District projects that it could exceed 100 percent building utilization by FY 2007-08.

As a component of the audit, Anthony Wayne LSD building capacity was evaluated. Based on an optimal level of 85 percent utilization, the District will reach optimal utilization by FY 2008-09 and will exceed 100 percent building utilization in FY 2012-13. **Figure 4-1** illustrates District projected enrollment in relation to the District’s total building capacity for FY 2007-08 to FY 2013-14.

Figure 4-1: District Enrollment and Capacity Projections



Source: ODE, AOS cohort-survivor enrollment projection, and DeJong and Associates, Inc.

Based on capacity and enrollment projections, Anthony Wayne LSD will need to begin implementation of plans to mitigate overcrowding in its school buildings. The District may be able to obtain sufficient funds for the construction of an additional school facility or an addition to existing facilities, or develop other methods of restructuring to cope with the high utilization rates and potential overcrowding.⁵

Anthony Wayne LSD's overall utilization rate during FY 2006-07 in grades kindergarten through 12 was approximately 78 percent. Building-by-building utilization rates are depicted in **Table 4-7**.

Table 4-7: FY 2006-07 AOS Building Capacity and Utilization Rates

Building	Building Capacity	FY 2006-07 Head Count	Over/(Under) Capacity	Building Utilization Rate
Monclova Elementary (K-4)	835	647	(185)	77%
Waterville Elementary (K-4)	595	474	(115)	80%
Whitehouse Elementary (K-4)	675	558	(110)	83%
Elementary School Total¹	2,105	1,679	(426)	80%
Fallen Timbers Middle (5-6)	870	706	(164)	81%
Anthony Wayne Junior High (7-8)	970	656	(314)	68%
Anthony Wayne High (9-12)	1,635	1,339	(296)	82%
Total for all buildings	5,580	4,380	(1,200)	78%

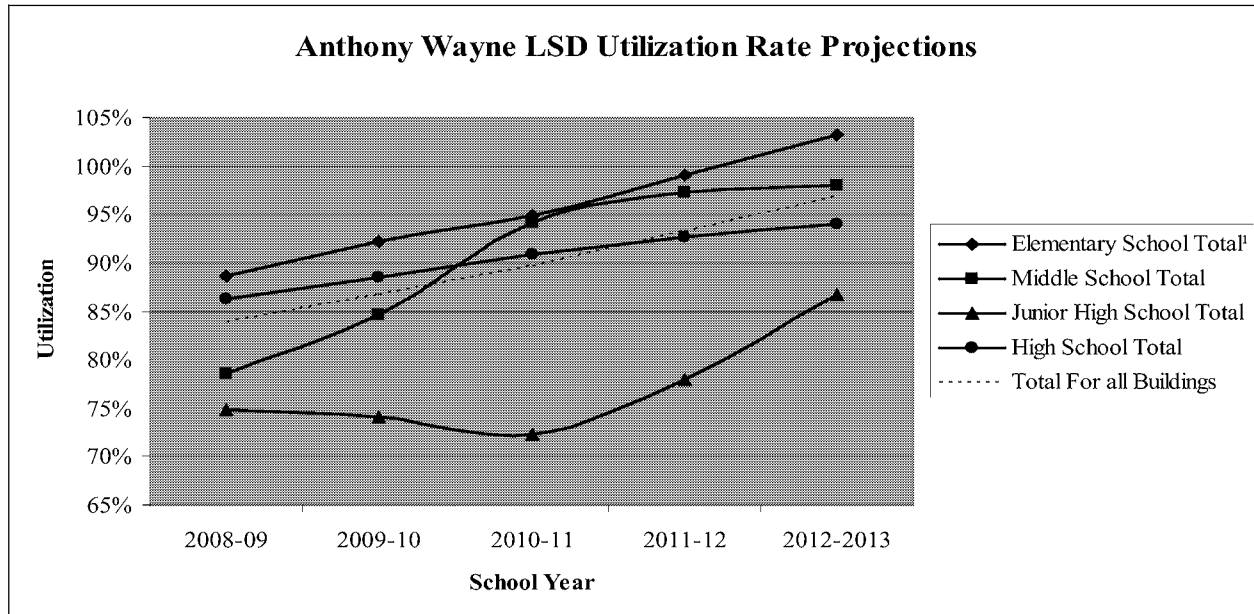
Source: District Floor Plans and the EMIS Student Enrollment FY 2006-07.

¹ Capacity and enrollment of preschool program at Saint Luke and Old Waterville building is excluded from the analysis.

Figure 4-2 shows projected building utilization rates by school grouping (elementary, middle, junior high, and high schools) from FY 2008-09 to FY 2012-13.

⁵ The Saint Luke's facility and the old Waterville school facility that hold the District's preschool program have been excluded from the calculations. However, Anthony Wayne LSD may wish to consider these building in addressing potential capacity issues.

Figure 4-2: AWLSD Projected Utilization Rates



Source: Anthony Wayne LSD floor plans and AOS enrollment projections for FY 2008-09 through FY 2012-13.

¹ Capacity and enrollment for preschool program at Saint Luke’s and the Old Waterville building is excluded from the analysis.

As shown in **Figure 4-2**, the Anthony Wayne LSD’s utilization is projected to increase to an average of 97 percent by FY 2012-13. While the District’s Middle, Junior High, and High School’s building utilizations do not exceed total capacity, district elementary schools are expected to exceed their combined total capacity by FY 2011-12.

The Business Manager stated that the District is aware of its capacity issues and, in February 2006, administrators proposed the construction of an additional school facility and additions to other facilities. As part of this proposal, Anthony Wayne LSD intended to construct a new high school, convert the Fallen Timbers Middle School into an elementary school, and add classrooms or other facilities at Whitehouse and Waterville elementary schools. The estimated cost for the project was \$66 million; however, this approach was abandoned in the fall of 2006 when Anthony Wayne LSD determined it would encounter deficits in FY 2007-08. Instead, the Board opted to place an operating levy on the November 2006 ballot.

To aide in the planning process, Anthony Wayne LSD should consider reviewing the *2006 School Construction Annual Report* (Indiana Department of Local Government Finance, 2007). The report includes national school building construction information and statistics. The report suggests a national average cost per square foot of \$158 for new construction and \$218 for additions to existing facilities. Therefore, to construct a new

facility similar to Waterville Elementary, with a capacity of 595 students (see **Table 4-5**) and approximately 65,000 square feet, the cost would be about \$10 million. Refurbishing and repurposing existing space or building additions onto existing facilities may be less costly, depending on other District and construction variables. Similarly, the Ohio School Facility Commission design guidelines may also provide guidance on construction cost.

By assuming a proactive role in addressing potential capacity issues, the District could develop alternative solutions and build community support for the project.

R4.8 Anthony Wayne LSD should formalize its work order system. Establishing formal work order system procedures will enable the Operations Department to manage work order requests more efficiently. The District should also use its intranet to transition the informal paper-based work order system to a formal electronic work order system. The development of an electronic work order system will provide District staff with the ability to submit or monitor work order requests through a standardized and easily accessible format.

Furthermore, Anthony Wayne LSD should develop guidelines for equitably prioritizing work order requests with an emphasis on responding to life, health, and safety issues in a timely manner. Finally, the District should develop a process to ensure that each facility's needs are addressed equally. Responding to life, health, and safety issues in a timely manner is imperative to reduce the potential harm to District facilities and facility users.

Anthony Wayne LSD has an informal work order process. The building principals, teachers, or head custodians notify the Department secretary, maintenance specialist, or heating, ventilation, and air conditioning (HVAC) supervisor of facility issues. Once notified, the contacted staff member forwards the request to the Director. The Director then determines the priority level of the repair request. However, no formal guidelines exist to ensure that the Director assigns the appropriate priority level to a work order. If the repair is considered a minor repair and the District possesses the parts required for the repair, the Director will approve the request and will notify the appropriate staff member of the work to be completed. If the repair is considered a major repair, the Director will send a work order request to the Business Manager. If approved by the Business Manager, a purchase order is created for the cost of the repair and the Director is authorized to complete the work. If the repair is not approved, the Director enters the work order request into the District's preventive maintenance software system.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), work order systems help districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. At a minimum, work order systems should account for the date the request was received, the date the request

was approved, a job tracking number, job status (received, assigned, ongoing, or completed), job priority (emergency, routine, or preventive), job location, entry user (the person requesting the work), person assigned to the job, supply and labor costs for the job, and job completion date/time.

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

Establishing a formalized electronic work order system will enable the Anthony Wayne LSD to better track work order requests throughout the District. Additionally, incorporating NCES suggested elements into the work order system will allow District staff to better monitor the ongoing progress of approved work order requests.

R4.9 Anthony Wayne LSD should develop and administer a facility user survey to identify facility needs and issues. The survey should be available to District staff and members of the community, using various methods of communication, such as the District’s intranet and web site.

Anthony Wayne LSD does not administer customer surveys to identify stakeholder opinions of areas for program improvement. The Department relies on daily electronic communications and annual building walkthroughs by the Director to evaluate program effectiveness and identify any shortcomings.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), 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. There are many ways to gather information from users/customers (i.e., the people who benefit from the 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). NCES notes that another aspect to consider while creating a facility user survey is that the survey should include both custodial and maintenance operations satisfaction.

Without facility user surveys, the District may not be able to pinpoint and address all departmental shortcomings. Using formal feedback mechanisms would allow the Director to pinpoint areas in which custodial and maintenance performance does not meet expectations. Finally, actively seeking stakeholder input could result in increased support for the District's Departmental activities and could help to establish a base-line satisfaction level which could be monitored to determine the impact of staffing reductions (see **R4.1**) or changes in policies and procedures (see **R4.2**).

Financial Implications Summary

The following table summarizes estimated annual cost savings and a one-time estimated cost associated with the implementation of recommendations in this section of the report.

Summary of Financial Implications for the Facilities Section

Recommendation	Estimated Annual Cost Savings
R4.1 Reduce 15 FTE custodial positions.	\$596,000
Total	\$596,000¹

Source: AOS performance audit recommendations

¹ See the **financial system** section for total savings over the forecast period.

Transportation

Background

This section of the performance audit focuses on the transportation operations within Anthony Wayne Local School District (Anthony Wayne LSD). A summary of the audit objectives for the **transportation** section is included in the **executive summary**. Comparisons are made to 10 peer districts¹ and information from several relevant sources: the American Association of School Administrators (AASA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), Ohio Department of Education (ODE), Ohio Department of Transportation (ODOT), the Federal Transit Administration (FTA), and the Government Finance Officers Association (GFOA).

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

Transportation Policy

Anthony Wayne LSD' provides transportation for those students whose distance from their school makes this service necessary within the limitations established by State law. According to Board policy, children in grades K-6 that live beyond one-half mile and students in grades 7-12 that live beyond one-mile walking distance from their assigned school shall be entitled to bus transportation. Exceptions may be made to these limits for temporarily or permanently disabled children or if safety hazards exist. In many cases, the District has provided transportation within the one-mile limit based on conditions that are determined to be unsafe for walking.

¹ See the **executive summary** for a list of the 10 peer districts.

Organizational Structure and Responsibilities

The Transportation Director manages Anthony Wayne LSD's Transportation Department and has supervisory responsibilities for 3 secretaries, 3 mechanics, and 56 bus drivers (FY 2006-07). The Transportation Director reports to the Superintendent and is responsible for establishing bus routes, preparing State transportation reports, ensuring driver training and orientation programs are conducted, maintaining records, and performing other duties as assigned by the Superintendent.

In FY 2006-07, Anthony Wayne LSD uses 45 active buses to provide transportation services to 4,132 students. Its high school, junior high school, and middle school are all located on a central campus. The Transportation Department also provides service to three other District elementary schools, three Lucas County ESC alternative learning centers, and ten regional non-public schools. The District designs transportation routes using routing software to accommodate its tiered bell schedule. The campus design of the secondary school buildings allows for a two-tier schedule; the first tier routes cover the secondary schools and the second tier covers the elementary schools. The routes are run on a tight schedule, minimizing idle time for the buses and drivers.

Operational Statistics and Cost Ratios

Table 5-1 compares Anthony Wayne LSD's expenditure and operational data with the peer average. Anthony Wayne LSD reported ridership data on its T-1 reports based on an average of scheduled and actual riders. The public rider data is included in the table for information purposes only.

Table 5-1: FY 2005-06 Transportation Operating Statistics

Key Statistics	Anthony Wayne LSD	Peer Average	Percent Above (Below)
Square Miles	73	30	140%
Enrollment	4,249	3,132	36%
Total Students Transported (All Types)	4,149	2,281	82%
Yellow Bus Riders (Type I)			
Public	3,613	2,075	74%
Non-Public	400	144	178%
Community School	-	4	(100%)
Special Needs	119	21	455%
Total Yellow Bus Riders	4,132	2,245	84%
Buses			
Active Buses	44 ¹	27	60%
Spare Buses	6	6	4%
Miles			
Annual Routine Miles	682,920	314,420	117%
Annual Non-routine Miles	41,909	36,267	16%
Operating Ratios			
Enrollment per Sq. Mile	58	122	(52%)
District Pupil Population Density per Square Mile	59	110	(47%)
Yellow Bus Riders per Active Bus	94	82	15%
Routine Miles per Active Bus	15,521	11,107	40%

Source: Anthony Wayne LSD and peer district T-1 Reports, T-2 Reports, Cupp Reports, and SF-3 Reports.

¹ In FY 2006-07, the District shows 45 active buses on its T1 report.

Table 5-1 shows that Anthony Wayne LSD has almost twice the number of active buses but only about a third more students than the peer districts have. The larger bus fleet is needed, though, to accommodate the higher proportion of yellow bus riders in the District. Almost all Anthony Wayne LSD students use yellow bus service, compared to about two-thirds of students using yellow bus service in the peer districts. The District also has over twice the square miles within its boundaries than the peer district average and its student population density is approximately half the peer average pupil density. Therefore, in order to pick up and drop off its larger population of riders, Anthony Wayne LSD must travel about 40 percent more routine miles per active bus than the peer average.

Table 5-2 displays Anthony Wayne LSD's expenditures per rider, per bus, and per mile basis in comparison with the peer average.

Table 5-2: Yellow Bus Expenditure Comparison FY 2005-06

	Anthony Wayne LSD	Peer Average	Percent Above (Below)
Total Yellow Bus Expenditures	\$2,512,870	\$1,224,688	105.2%
Per Yellow Bus Rider	\$608	\$535	13.6%
Per Active Bus	\$57,111	\$42,862	33.2%
Per Routine Mile	\$3.68	\$3.86	(4.7%)

Source: School district transportation data as reported to ODE.

Table 5-2 illustrates that in FY 2005-06, Anthony Wayne LSD's expenditures per rider and per bus exceeded the peer average. However, the expenditures per routine mile were lower than peer ratios. In general, high cost ratios may indicate operational inefficiencies. However, the District's cost ratios appear to be high due to salary and fuel costs, which are a result of the longer work hours and driving times of bus drivers needed to transport students because of the larger geographic size and lower pupil population density than the peers. District and peer hourly rates for drivers are comparable and per mile fuel costs in the District tend to be lower because of the higher number of miles traveled by Anthony Wayne LSD drivers.

Recommendations

Policies and Procedures

- R5.1 Anthony Wayne LSD should update the District Board policy on transportation to reflect current levels of service and include more detail to explain the specific process used to identify and address safety hazards that exist within the District. Furthermore, the Board should periodically review and verify that the policy and actual service levels are consistent.**

Anthony Wayne LSD Board Policies and Administrative Guidelines stipulate the District's intention to transport all kindergarten through sixth grade children living beyond one-half mile from their assigned school and all seventh through twelfth grade children living beyond one mile from their assigned school. According to the Transportation Director, the actual practice is to transport all kindergarten through twelfth grade students who live beyond one mile from their assigned schools.

Exceptions are made for hazardous walking conditions and, due to the rural nature of the District, most students receive yellow bus service. The Board has given the Transportation Director the discretion to judge the safety issues in the District and he relies on his knowledge of District hazards to route the buses and adjusts transportation service levels where appropriate due to safety conditions. The Director decides criteria for hazard exceptions based on his experience.

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. In addition, Ohio Administrative Code (OAC) §3301-83-13 states that students may walk up to one-half mile to a bus stop. The District does not regularly monitor the financial impact of providing transportation services in excess of State minimum standards.

According to *Identification and Evaluation of School Bus Route and Hazard Marking Systems* (National Association of State Directors of Pupils Transportation Services (NASDPTS), 1998), an annual review of each school bus route by a person trained to identify potential route driving hazards would provide the basis for identifying any potential hazards. Examples of "driving hazards" encountered while operating a school bus are railroad crossings and industrial intersections. While the Board administrative guidelines state that the Transportation Director shall "conduct routine and periodic surveys of the School District area and routes to determine the safety of current bus routes and bus stops," the policies and guidelines lack a formal procedure. Verification of route

and stop reviews cannot be monitored and the identification of some safety hazards may not be reported to the bus drivers.

Updating the Board policy to be consistent with current service will help ensure that Anthony Wayne LSD's Board and staff are aware of the District's transportation responsibilities and that the policy accurately portrays the practice. Reviewing the policy annually will allow the District to make necessary changes and revisions. As more development occurs in the District, the Transportation Director may find it difficult to transition students to walking, so some areas may continue to receive bus service after safe walking conditions have been established. Enhancing the current language in the Board policy will clarify the responsibilities and processes for decision-making in the case of policy exceptions. If Anthony Wayne LSD incorporates procedures for identifying specific types of hazardous areas into policy, the District and the community would have a clearer and better-documented depiction of the safety issues that affect District transportation operations.

R5.2 Anthony Wayne LSD should update and revise Board policies and administrative guidelines for providing non-routine transportation services. It should develop a documented system for assessing costs and charging for services. The policy should eliminate inconsistencies in existing practices and provide internal controls over charging internal and external users for non-routine transportation. An effective method of tracking and recording these costs could allow Anthony Wayne LSD to determine, report, and recover costs from appropriate departments and external groups.

It should also review its practice of contracting for non-routine services beyond those specifically described in OAC 3301-83-16. The District's legal counsel should review transportation contract service compliance with Ohio commercial transportation codes (ORC § 4921.02 and § 4923.02) and determine the appropriateness of current operations.

Anthony Wayne LSD has two sections in the District's Board Policies and one section in the Administrative Guidelines regarding non-routine transportation. The two sets of policies are not consistent and do not reflect actual practices. The District provides the typical types of field trip and non-routine services for band trips, athletic events, vocational agricultural groups, etc. Typically, Board-sponsored groups receive complete funding for transportation through the General Fund for most regular games and District events.

During the summer, the Transportation Department arranges non-school transportation activities to keep the buses active. The Transportation Director has indicated that fees vary based on the types of services. Furthermore, the Director seeks contracts with

external organizations for the use of District buses and drivers during the summer months. The contracts included a program at the University of Toledo, the YMCA, and KinderCare. The District calculated the charges for these organizations during the 2007 summer months using the variable costs of putting the buses on the road. Fees include driver and mileage charges. According to the Transportation Director, the District based fees on an assessment of the mileage costs from the T-2 expenditures data. However, the District did not provide documentation of the calculations.

The Transportation Department uses several forms to track non-routine miles. These forms are filed with the Department as required, but are not reconciled to District financial reports. While non-routine driver wages are identified on Transportation Department time sheets, other costs associated with the non-routine use of buses are not separately identified. See **R5.4** for further discussion on T-form reporting.

Both the OAC and ODE's Office of Pupil Transportation require detailed tracking of non-routine costs. OAC 3301-83-16 defines and limits the non-routine use of school buses and specifically requires that operational costs for non-routine use, other than field trips, be recovered. Recovered costs associated with the non-routine use of school buses should include driver salaries and benefits, fuel, maintenance, service, supervision, and insurance. Further, according to the instructions for the completion of ODE's T-2 form, districts should be including only costs associated with the routine use of buses. The report specifically requires districts to separate out costs associated with all non-routine trips such as summer school, after school events, athletic trips, and field trips. When buses are used for both routine and non-routine trips, costs associated with maintenance of the bus are to be prorated based on the percentage of use.

The Board policy does not provide guidance on charging for non-routine uses. Because the Transportation Department creates invoices and develops contracts, there appears to be little opportunity for oversight by the Treasurer's Office. The Transportation Department calculates fees but does not maintain documentation to support these fees. Improved tracking of non-routine miles can better ensure the District's recovery of costs for non-routine trips from appropriate departments and external groups. Also, enhanced T-form data submitted to ODE would assist District management in better determining the efficiency and effectiveness of regular yellow bus service.

R5.3 Anthony Wayne LSD should establish formal procedures to ensure T-forms are accurately prepared and reviewed before submission to ODE. The T-form reporting procedures should incorporate the specific instructions provided by ODE for the collection of ridership, mileage, and expenditure data.

The Transportation Director should implement plans for conducting October student counts using a five-day count of actual riders and submitting this five-day

average as required on the T-1 Reports. The District should review and verify that it has properly documented special education expenditures and that non-routine costs are excluded from the T-2 Report, as described in the instructions. The Treasurer's Office should verify compliance with the procedures and the accuracy of the data, then sign and forward the report to the attention of the Superintendent for signature and submittal to ODE.

During the course of the audit, the Anthony Wayne LSD Transportation Director reported that he would be using the method described by ODE for T-1 actual ridership count in October 2007.

Anthony Wayne LSD does not have a formal written policy for completing T-forms or reconciling data between the Transportation Department and the Treasurer's Office. An informal process exists whereby the Transportation Director works with his administrative staff to complete the reports and submit them to the Treasurer for approval. The Transportation Director is charged by the Board with completing all State reports, collecting all required information, and completing the T-1 and T-2 Reports on the ODE web site.

ODE requires school districts to submit forms to report transportation information such as number of students transported, number of miles traveled, and cost of services provided for routine trips. ODE has specific instructions listing the procedures for completing these reports. Each school superintendent and treasurer certifies the accuracy of the data in the forms when submitting them to ODE. However, during the audit, some irregularities in T-form reporting were noted. These include the following:

- **Incorrect Ridership:** In the past, Anthony Wayne LSD has conducted two-day counts and has averaged the number of actual riders with the number scheduled to be transported. The District then reports this average on the T-1 form rather than actual riders. This is inconsistent with ODE's T-1 reporting requirements as the instructions for completing the T-1 form indicate that eligible riders, for reimbursement purposes, are pre-school handicapped pupils transported on regular routes and kindergarten through twelfth grade pupils enrolled and actually transported during the first full week of October that school is in session. The Transportation Director indicated that this issue was corrected beginning in FY 2007-08.
- **Non-Routine Use of Buses:** The District includes expenditures on the T-2 form for the non-routine use of school buses. This is inconsistent with ODE requirements as the instructions indicate that expenditures for non-routine use of school buses should be excluded. The District may be overstating its transportation expenditures by including non-routine expenditures on its T-2 form.

- **Special Education:** Anthony Wayne LSD calculates the amount of expenditures attributed to special education transportation services as a straight percentage used in nearly every cost category. This is inconsistent with ODE's T-2 instructions, which explicitly describes the method for computing the costs by bus for each cost category. While ODE acknowledges that some costs are difficult to track and allows an approximation, the ODE method for calculating costs is based on pro-rating service on the percentage of special education riders on an individual bus. No evidence was available for this type of calculation.
- **Bus Purchases:** Anthony Wayne LSD has listed costs associated with capital expenditures for school buses on the T-2 form. ODE typically directs districts to exclude these types of capital costs. The costs reported on the T-2 included both payments and interest costs associated with capital asset bonds arranged through the Ohio Association of School Business Officials (OASBO).
- **Maintenance Costs:** The maintenance logs used by the mechanic manually track costs associated with each bus. However, there is no indication that these records are reconciled before reporting the costs on the T-Forms.

According to *Student Transportation in Ohio* (Legislative Office of Education Oversight (LOEO), 2003), accuracy problems for transportation-related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. LOEO recommended that ODE continue to work with school districts to improve the accuracy of the data submitted regarding the number of students transported, the average daily bus miles per student, and the cost of transportation services. The first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-Forms.

Documentation of Accounting Policies and Procedures (GFOA, 2007) recommends that organizations develop formal documentation of policies and procedures. A well-designed and properly maintained system of documenting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. The documentation of policies and procedures should be readily available to the appropriate transportation staff and should delineate the authority and responsibility of all department employees. Based on the abovementioned guidelines, the Transportation Department policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed. In addition, the policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

Without policies and procedures that identify the process for completing the T-Forms and for reviewing their accuracy and completeness, Anthony Wayne LSD risks submitting erroneous information to ODE. Depending upon future State funding formulas, inaccurate information may result in under or over-payment of the District's transportation reimbursement. Finally, inaccurate data prevents the District from making well-informed decisions.

Transportation Operations

R5.4 Anthony Wayne LSD should formalize its bus replacement planning process by incorporating the current informal bus evaluation methods used by the Transportation Director into a written, predictable cycle that allows the District to plan and budget for new bus purchases. The Transportation Director should consider future enrollment projections (see the facilities section of this report) in the planning for the District's future bus needs. The bus replacement plan should be a long-term strategy with periodic assessments of maintenance costs and safety inspection results. The District should base all bus and equipment replacement decisions upon economic modeling that allows for replacement at the most advantageous point in the equipment's life cycle.

The Transportation Director uses certain criteria such as age, mileage, condition, and staff opinions to review buses and determine replacement needs on an ad-hoc basis. Although he reviews data relevant to bus replacement decisions, the District has not developed a long-term replacement plan and has not incorporated replacement costs into a schedule that could use for forecasting purposes.

The Transportation Director uses a mileage inversion method to minimize the miles traveled by the Anthony Wayne LSD bus fleet. Each year the total miles recorded for each bus gives the bus a rank. After all the buses are ranked lowest to highest, the Director uses the routing software to schedule the upcoming year's routes. The distance of the routes is then matched to the ranked buses in reverse order, thereby taking the bus that drove the farthest last year and putting it on the shortest route this year. The effect is that bus mileage is minimized across the entire fleet, including the spares.

Anthony Wayne LSD does not have a formal school bus replacement plan that will ensure it is replacing buses at the most cost effective interval. However, it has a bus inventory for FY 2007-08 with an average model year of 2002 (5 years in age) and an average of 70,977 miles per bus. Although the District has only one bus projected to exceed the 250,000 mile threshold during the next five years, the District will have 10 buses that will be at least 15 years of age or older.

According to *School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002), the timely replacement of school buses must be a planned process. It suggests that buses similar to those used at Anthony Wayne LSD should be replaced after 12 to 15 years, consistent with recommendations developed by the State of South Carolina and ODE's Office of Pupil Transportation. The procedure to minimize bus mileage used by the Transportation Director helps maximize bus life, but does not negate the need for a replacement plan.

Table 5-4 shows the impact for forecasting purposes of replacing the buses and the necessary funding required, assuming a 15-year replacement cycle.

Table 5-4: Anthony Wayne LSD Replacement Cycle Average Annual Costs

Replacement Cycle Costs at 15 Years of Age						
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total ¹
Number to Replace	1	0	0	3	6	10
Avg. Annual Cost	\$60,000	\$0	\$0	\$180,000	\$360,000	\$600,000

Source: Anthony Wayne LSD fleet information.

¹Bus replacement cost is estimated to be \$60,000 per bus based on sample vendor invoices. This cost is estimated to rise sharply for new vehicles to accommodate more stringent emission standards. Anthony Wayne LSD will need to revise these cost projections once more up-to-date pricing becomes available from bus manufacturers.

As **Table 5-4** shows, the decision for replacement can have a significant impact on District finances. Without a replacement plan, Anthony Wayne LSD will have a difficult time budgeting for the future replacement needs. The decision to repair or replace is a constant concern for effectively managing capital assets like buses. As total costs of repairs increase above the approximate replacement costs, the decision should be made to replace the asset. This requires management to anticipate the costs of repairs over time or spreading the replacement cost over the expected life of the bus and comparing it to the annual cost of repairs to assist them in the decision-making process.

Anthony Wayne LSD has based the replacement of buses on the experience and knowledge of the Director when making decisions concerning the replacement of buses. However, without a formal bus replacement plan, Anthony Wayne LSD cannot adequately consider future replacement costs and budget for these costs. Furthermore, the District is experiencing population growth and, as the student population grows, so does the demand for transportation services provided by the District. (See the **facilities** section of this report.) Creating a written plan will help Anthony Wayne LSD anticipate replacement costs and review its decisions to buy new buses or repair the existing fleet. In addition, reviewing detailed vehicle maintenance costs would help support District decisions to repair or purchase buses. By improving its replacement planning and

budgeting, Anthony Wayne LSD can ensure that it is prepared for future capital expenditures, replacing the most appropriate vehicles in terms of maintenance cost and age.

Financial Implications: Using a 15-year benchmark replacement cycle, Anthony Wayne LSD will need to replace an estimated 10 buses in the next five-year period for an estimated cost of \$600,000.

R5.5 Anthony Wayne LSD should develop a complete preventive maintenance (PM) plan, which includes a comprehensive set of internal controls for ensuring that effective and efficient maintenance service occurs in a timely manner. The PM plan should include a set of detailed service standards that can be referenced back to manufacturer recommendations. Anthony Wayne LSD should include maintenance oversight procedures that periodically assess the service levels, determine the costs incurred, and address any weaknesses. The District should create goals and performance should be measurable and directed toward achieving improvements in quality and productivity. Anthony Wayne LSD should incorporate ODE's safety inspection checklist into the PM plan in order to prepare for annual Ohio Highway Patrol (OHP) bus inspections with a goal of reducing future violations.

Anthony Wayne LSD has no written preventive maintenance plan. The Head Mechanic at the District has developed practices for service work based on the number of hours of operations of the buses. In general, older buses are serviced every 150 hours and the newer buses every 200 hours. Stickers on the interior of each bus alert bus drivers about when to request service. The current practice is to complete monthly maintenance logs listing completed service and costs. However, the files containing these logs were not readily accessible and not always complete. Bus drivers also complete a weekly pre-trip checklist as required by ODE. The Transportation Director indicated that he plans to install a software program that will help to computerize the maintenance service facility by tracking the service and parts inventories.

During the course of the audit, Anthony Wayne LSD buses received an annual inspection conducted by the Ohio Highway Patrol. The OHP is responsible for inspections of all school buses in the State. **Table 5-5** lists a summary of results from the OHP Inspection Report for the District compared to neighboring districts in 2007.

Table 5-5: Comparison of OHP Bus Safety Inspection Results

Buses	Anthony Wayne LSD	Neighboring Districts ¹
No Violations	33.3%	41.1%
Minor Violations	42.6%	40.0%
Out of Service Violations ²	24.1%	18.9%

Source: Ohio Highway Patrol Safety State inspection report statistics 3/1/07-9/1/07

Note: Totals may exceed 100 percent due to rounding.

¹ Neighboring districts were Maumee CSD (Lucas County), Ostego LSD (Wood County), Springfield LSD (Lucas County), and Swanton LSD (Fulton County).

² Out of service violations require the vehicle to be pulled from duty until the repairs can be made.

Table 5-5 shows fewer Anthony Wayne LSD buses received a rating of “no violations” in comparison to neighboring districts. The District received a significantly higher percentage of minor and out of service violations (66.7 percent) than neighboring districts (58.9 percent). The Anthony Wayne LSD results indicate that only one-third of all District buses passed the inspection with no violations. Minor and out of service violations must be repaired before an inspection certificate is issued. Repairs can be done during the inspection to avoid re-inspections later. Five District vehicles required re-inspection.

OAC 3301-83-22 states that all school buses and other vehicles used to transport schoolchildren shall be maintained in safe operating condition through a systematic preventive maintenance program. In addition, OAC 3301-83-11 requires each school bus driver to complete and document a daily pre-trip inspection of the school bus before transporting students. It is the responsibility of the district to provide each driver with all inspection forms for reporting purposes.

In *Public Works Management Practices Manual* (American Public Works Association, 2001), effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs, which follow the manufacturer’s recommendation and schedules, will result in a dependable fleet and extended equipment life with lower operations, maintenance, and repair costs. Planning and scheduling PM activities requires providing the right maintenance at the right time at the lowest overall cost.

Ensuring the buses are receiving proper preventive maintenance helps prolong the life and operating efficiency of buses, therefore reducing the need to purchase new buses as frequently. Tracking costs will allow Anthony Wayne LSD to determine the efficacy of programs and evaluate the cost-benefit of repair/replace alternatives.

Financial Implications Summary

The following table summarizes the estimated annual costs identified in this section of the report.

Summary of Financial Implications for the Transportation Section

Recommendation	Five-Year Costs
R5.7 Develop a bus replacement plan	\$600,000
Total	\$600,000

Source: AOS Recommendations

District Response

The letter that follows is Anthony Wayne LSD's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.



Anthony Wayne Local Schools

Lucas
County

Anthony Wayne Administrative Center

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April 10, 2008

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Auditor of State
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Director of
Special Education
Mary Thompson, M. Ed.

Director of
Technology
Linda Hertzfeld, M. Ed.

Dear Auditor Taylor,

On behalf of the Anthony Wayne Local School District Board of Education and administrative team, we like to express our gratitude for your patience, time and effort put forth on our audit report. The Board of Education will analyze and consider implementing those recommendations that are feasible.

As a district, we appreciate the noteworthy accomplishments included in the audit. The audit came shortly after several administrative changes took place and many changes were being implemented concurrent to the audit. In addition, we would like the following comments to be noted as well.

Financial System

The district has implemented a 5-year forecasting tool that will be utilized and updated on a biannual basis and submitted to the Ohio Department of Education as required by O.R.C. twice a year.

The district is working on a multi-year strategic plan document.

Human Resources

Subsequent to the completion of the audit, there were many reductions to offset our fiscal year end balance in FY 2006-07. We had a great deal of certified and classified staff resign or retire that were not replaced. Using attrition has been very beneficial to the district financially; however increased class size may have a different effect on our local report card. We will continue to implement attrition this fiscal year as well. As certified and/or classified employees depart from the district, replacements will be minimal, if at all. This will again benefit the district financially but have adverse effects in other areas.

In addition to attrition, we have eliminated two (2) administrative positions in the central office. The position of Business Manager was eliminated as of

February 11, 2008 and the position of Assistant Superintendent is eliminated effective July 31, 2008.

Facilities

The district takes great pride in the appearance of our facilities. The report indicates our buildings to be 'too clean' and because of this, indicates that we have more custodial staff than needed. This is an area that we pride ourselves, but also due to the finances, we will consider making reductions in staff through attrition when feasible.

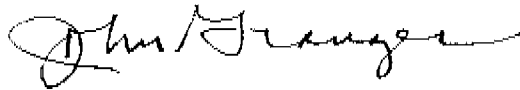
Transportation

I have enclosed a copy of a letter we received from the Ohio Department of Education in regards to our FY 2008 T1 report. We would like that to be enclosed in the report and also, please include the bus purchase plan that I forwarded you earlier. The Board of Education is purchasing four (4) buses out of our permanent improvement fund April 14, 2008 and plan to purchase four (4) in FY 2009 and FY 2010, to re-align the district plan.

We feel the report would have shown a more accurate picture for the community if the fiscal years in comparison were the same rather than FY 06 and FY 07 for Anthony Wayne LSD and FY 06 for our comparison districts. However, we understand the information for the peer districts was not available at the time of the audit.

Overall, we felt the Performance Audit was very informative. We will refer and consider all areas of the report as we strive to continue to offer excellent services to the students and residents of the Anthony Wayne Local School District, in an efficient manner.

Sincerely,



Dr. John Granger
Superintendent of Schools



Mrs. Kerri L. Johnson
Treasurer



Susan Tave Zelman

Superintendent of Public Instruction

Paolo A. DeMaria
Associate Superintendent

Pete Japikse
Associate Director, Pupil Transportation Office

Carol A. Brandel	<i>Administrative Assistant</i>
David B. Deceman	<i>Consultant</i>
Robert F. Harmon, Jr.	<i>Consultant</i>
Brian J. Whitta	<i>Consultant</i>

14 December 2007

Anthony Wayne Local School District
Mr. Larry Lerch, Transportation Administrator
6320 Industrial Parkway
P.O. Box 2487
Whitehouse, OH 43571-2487

RE: FY08 T1 REPORT REVIEW

Dear Mr. Lerch:

I have completed my review of the data supplied by your district for the FY08 T1 report. Thank you for remitting it to this office in such an expeditious manner.

In the course of my review, I have found no anomalies in the data you provided.

As such, I shall be asking Pete Japikse to approve your FY08 T1 report.

Respectfully,

Brian J. Whitta, Consultant
Pupil Transportation Office
Center for School Options & Finance