



Mary Taylor, CPA
Auditor of State

CARLISLE LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

SEPTEMBER 9, 2008



Mary Taylor, CPA
Auditor of State

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

On February 25, 2008, Carlisle Local School District (Carlisle LSD or the District) was placed in fiscal caution due to the possibility of ending the 2008 fiscal year in a deficit situation and incurring additional deficits in future years. Pursuant to ORC § 3316.042, a performance audit was initiated in Carlisle LSD beginning in February 2008. 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. The performance audit also provides an independent assessment of Carlisle 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 Carlisle LSD, and its contents discussed with the appropriate elected officials and District management. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

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

Sincerely,

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

MARY TAYLOR
Auditor of State

September 9, 2008

Executive Summary

Project History

Ohio Revised Code (ORC) § 3316.031 allows the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC §3316.03 further stipulates that the State superintendent may place a school district in fiscal caution if it identifies fiscal practices or budgetary conditions that, if left uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the school board is given 60 days to provide a written proposal to ODE that outlines a plan to correct the practices or conditions that led to the declaration.

The Ohio Department of Education (ODE) placed Carlisle Local School District (CLSD or the District) in fiscal caution on February 25, 2008 due to the possibility of ending FY 2007-08 in a deficit as well as the potential for deficits in future years. ORC § 3316.042 permits AOS to conduct a performance audit of any school district in a state of fiscal caution, watch, or emergency and review any programs or areas of operations in which it believes that greater operational efficiency, effectiveness, and accountability can be achieved. Due to the financial projections of the District, CLSD was selected to receive a comprehensive performance audit.

Based on AOS research and discussions with CLSD officials, the following four functional areas were included in the performance audit:

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

The goal of the performance audit process was to assist CLSD management and the Board in identifying cost saving opportunities and improving management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

Carlisle LSD is located in Warren County and encompasses 11 square miles. The District operates under an elected Board consisting of five members. In FY 2007-08, CLSD's preschool through grade 12 enrollment was 1,813 students. It provides educational services to students on its campus of four buildings including: an elementary school, an intermediate school, a middle school, and a high school.

In FY 2006-07, the District received approximately 41.1 percent of its \$14,412,436 total revenue from local taxes, 57.7 percent from the State, and 1.2 percent from federal grants and other sources. CLSD's FY 2006-07 per pupil expenditures were \$8,503.

In FY 2007-08, CLSD employed 206.8 full-time equivalent (FTE) staff consisting of 12.3 FTE administrators, 112.7 FTE educational personnel, 2.0 FTE professional personnel, 3.0 FTE technical personnel, 14.5 FTE office/clerical staff, and 62.3 FTE operations and other support staff. The regular education student-to-teacher ratio in FY 2007-08 was approximately 19:1. Based on the FY 2006-07 ODE Local Report Card, CLSD met 23 of 30 performance standards and received ODE's academic designation of "effective."

CLSD ended FY 2006-07 with a negative General Fund cash balance of approximately \$8,000. In addition, its October 2007 five-year financial forecast projects a deficit balance in the General Fund for FY 2007-08 of approximately \$400,000. This deficit is projected to increase to approximately \$1,082,321 by FY 2011-12, the end of the forecasted period. After being placed in fiscal caution status by ODE, CLSD submitted a fiscal caution financial recovery proposal on March 17, 2008 which identified approximately \$522,000 in personnel reductions for FY 2008-09.

On April 25, 2008, ODE formally accepted CLSD's fiscal caution financial recovery proposal. This proposal outlined the District's approved staffing reductions for FY 2008-09 which included, but were not limited to, 1.5 regular education teacher FTEs, 1.0 office/clerical FTE and 2.0 custodial FTEs. CLSD completed an updated five-year financial forecast which was approved by the Board on May 19, 2008 (see **Table 2-1** in **financial systems**). This forecast increased CLSD's unreserved fund deficit from \$400,001 to \$450,581 for FY 2007-08. The updated forecast projects unreserved fund balances of \$5,428, \$5,689, (\$734,243) and (\$2,090,696) in FY 2008-09, FY 2009-10, FY 2010-11, and FY 2011-12, respectively.

In order to address projected deficits, the performance audit illustrates additional opportunities for reduction in the areas of personnel, employee benefits, transportation services, and other District operations. The AOS revised forecast in **financial systems** shows that if CLSD implements the performance audit recommendations and limits its future spending, it could operate with a positive fund balance through the end of the forecast period. Enhanced local revenue and/or additional savings not identified by the performance audit would permit the

District to make fewer reductions in personnel and achieve a positive ending fund balance through the forecast period. Conversely, failure to fully implement and/or negotiate recommendations contained in this report may require the District to make deeper personnel reductions in future years.

Subsequent Events

- After the conclusion of fieldwork, CLSD made several changes in its operations that yielded additional cost savings or operational enhancements. These are detailed below:
 - The District opted to implement an open enrollment policy to encourage out-of-district students to attend CLSD.
 - It implemented an in-house credit recover/alternative education program to better retain high school students.
 - CLSD implemented additional staffing reductions. These are illustrated in the District's response to the audit. Supplemental contracts were also reduced.
 - Custodial staff was reduced by 3 full-time employees.
 - Transportation operations were modified to follow a three-tier routing system. This allowed CLSD to eliminate 10 bus routes. District officials stated that they planned to analyze the impact of the changes in transportation; future adjustments would be made based on the results of these analyses.
 - District officials stated their intentions to purchase an automated routing system to assist with the analyses of CLSD transportation operations.

Objectives

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall purpose of this performance audit is to review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness, and accountability for services can be achieved and to assist CLSD in identifying strategies to eliminate the conditions that brought about the fiscal caution declaration. The recommendations comprise options that the District can consider in the continuing effort to stabilize its financial condition. Major assessments were conducted for this performance audit in the following areas:

- **Financial Systems** includes an evaluation of the reasonableness of CLSD's October 2007 five-year financial forecast along with other financial policies and procedures;
- **Human Resources** includes an analysis of District-wide staffing levels, employee compensation, the collective bargaining agreement, and benefit costs.
- **Facilities** includes an assessment of building capacities and utilization rates, as well as custodial and maintenance operations; and
- **Transportation** includes evaluations of bus utilization and key transportation operational information.

A full description of the objectives is listed within each respective report section.

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Audit field work took place between January 2008 and April 2008. To complete this report, the auditors gathered and assessed data from various sources pertaining to key operations. Auditors also conducted interviews with District personnel and reviewed and assessed information from CLSD and other school districts.

AOS developed a composite of 10 selected districts which was used for peer comparisons. The selected districts were Anthony Wayne Local School District (Lucas County), Canfield Local School District (Mahoning County), Green Local School District (Summit County), Jackson Local School District (Stark County), Lake Local School District (Stark County), North Canton City School District (Stark County), Northmont City School District (Montgomery County), Poland Local School District (Mahoning County), Tipp City Exempted Village School District (Miami County), and Wadsworth City School District (Medina County).

These districts are classified as urban or suburban with high median income, low per pupil costs, and an academic designation of excellent. As a group, these districts represent a high level of financial and academic performance and, as a result, benchmarks derived from their operations are typically above average performance. 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, ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and other related best practices. Information used as criteria (benchmarks or recommended practices) was also not tested for reliability.

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

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

Noteworthy Accomplishments

This section of the executive summary highlights specific District accomplishments identified throughout the course of the audit.

- CLSD's employees complete the District Intent Questionnaire each year and return it to the Superintendent's Office to assist with short and long term staffing planning efforts. This form allows employees to notify District administrators of any changes they may anticipate in their employment status for the upcoming year, including retirement, resignations, and long term leaves of absence (such as maternity leave). The form also allows employees to express interest in transferring within the District, either from one building to another or one position to another. This information not only provides the District with a tool for planning, but minimizes the possibility of unexpected turnover in staff.
- CLSD has proficient methods in place to obtain staff feedback. The Principals' Advisory Committees (PAC) encourage employee feedback through the representation of members. PAC members voice the opinions and concerns of respective building staff at monthly meetings. These could include issues such as cleanliness of the buildings to specific dates for occasions such as graduation. CLSD also conducts staff surveys on a building and department level to provide feedback and suggestions for possible improvement. End of year surveys allow for general feedback as well as planning ideas. In fact, CLSD's elementary school used its results to set specific goals in the upcoming year's Continuous Improvement Plan. The Special Education Department survey was specific to special education staff and provided the District with specific ideas for improvement in this area.

Conclusions and Key Recommendations

The performance audit contains several recommendations pertaining to CLSD. In addition to these recommendations, several assessments were conducted that did not result in recommendations. The most significant recommendations are presented below.

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

- Prepare an updated five-year financial forecast which includes all recommended forecast practices as outlined by ODE and follows a collaborative forecasting process as recommended by GFOA. In addition, the District should ensure that preparation of the five-year forecast avoids common problems identified by AOS.
- Develop a District-wide strategic plan which outlines the strategic vision for all operational and educational programs. In preparing the plan, CLSD should include detailed goals, objectives, benchmarks, timeframes, performance measures, cost estimates, and funding sources. In addition, CLSD should link the strategic plan to the annual budget, the five-year forecast, the comprehensive continuous improvement plan, and the facilities master plan.
- Develop an annual budget targeted toward accomplishing the goals and objectives identified in the strategic plan and consider using a more decentralized budgeting process to allow site based administrators to develop and submit the first proposal for the budget. This process would ensure that the budget incorporates each administrator's knowledge of District operations and needs.
- Supplement the existing financial policies to include the policies recommended by *Best Practices in Public Budgeting* (GFOA, 2000). These policies would help the District promote long-term financial flexibility and stability by identifying the appropriate parameters for financial activities outside of day-to-day operations.

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

- Consider reducing staff in the following areas:
 - 2.0 administrator FTEs (annual savings of \$122,000);
 - 6.0 regular education teacher FTEs (annual savings of \$298,000);
 - 7.0 education service personnel FTEs (annual savings \$349,000); and
 - 3.0 clerical staff FTEs (annual savings of \$94,000)

- Develop a formal staffing plan to address current and future staffing needs. Establishing staffing allocations for administrative, certificated, and specialized¹ personnel will assist the District in proactively planning for the future. Additionally, the development of a formal staffing plan will allow CLSD to ensure it is in compliance with State and federal requirements.
- Consider negotiating a lower base rate for future clerical staff. With experienced clerical employees moving toward retirement, CLSD has the opportunity to decrease the average salary expenditures for clerical employees by lowering the current base rate to a level comparable to surrounding districts.
- CLSD should renegotiate its employee health care premium contribution percentage for single coverage from 5 percent to 10 percent, a percentage in line with its current family contribution percentage and comparable to industry standards. CLSD should also attempt to renegotiate the certificated collective bargaining agreement and specialized employee policies to limit or remove certain other provisions which exceed State requirements or are contrary to recommended practices.

In the area of *facilities*, CLSD should:

- Reduce its custodial staff by 2 FTEs in order to bring the District closer to industry standards and better distribute the workload among existing employees. Furthermore, the chain of authority between custodians, principals, and the Director of Operations should be clearly outlined and communicated to ensure that custodians are aware of their specific duties, resulting in enhanced efficiency.
- Develop a facilities master plan that reflects the direction of future operations. In addition, CLSD should ensure the facilities master plan reflects current building configurations and student demographics, and includes a capital improvement plan and a formal preventive maintenance plan.

In the area of *transportation*, CLSD should:

- Eliminate 5 buses in order to bring its riders per bus ratio closer to the national benchmark of 100 students per bus on a two-tiered system. Should the District elect to implement a three-tiered routing system, it should seek to eliminate 8 buses and increase its ridership to 150 students per bus. Eliminating buses will result in a reduction of operational costs (e.g., bus driver salaries, maintenance, and insurance).

¹ CLSD's specialized personnel are more commonly termed "classified" personnel in Ohio school districts.

- Create and maintain a bus replacement plan to ensure the District is properly planning and budgeting for the purchase of new buses. The bus replacement plan should include the age and mileage of every bus in the fleet and estimates of these elements at the projected replacement date for each bus.
- Develop and implement a system of written procedures to ensure that T-form information is collected, reviewed, and reported accurately. The Director of Operations and the Treasurer should verify that all transportation expenditures reported in the T-2 Form are consistent with ODE instructions and represent expenditures for the routine use of school buses.
- Require Transportation Department personnel to take part in the individualized education program (IEP) process to ensure the District is providing safe and efficient transportation while minimizing additional cost to the District. CLSD should also research the feasibility of using contracted services or partnering with other school districts for vans that transport a minimal number of special needs students that need to be transported to non-district locations. If properly implemented, the District could, at a minimum, reduce the use of a van, van driver, aide, and costs associated with the operation of the van by 50 percent.

Summary of Financial Implications

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

During the course of the performance audit, CLSD approved staffing reductions for regular education teachers, office/clerical, and custodians for FY 2008-09. These approved reductions are reflected in the District's FY 2007-08 May five-year financial forecast (see **Table 2-1 in financial systems**). Projected savings presented in **financial systems** are adjusted to reflect these reductions.

Table 1-1: Summary of Performance Audit Recommendations

	Estimated Savings	Estimated Costs
General Fund Recommendations Not Subject To Negotiations		
R2.14 Purchase a purchase order printer (one-time cost)		\$1,000
R3.1 Reduce 2 site-based administrator FTEs	\$122,000	
R3.2 Reduce 6 regular education teacher FTEs	\$298,000	
R3.3 Reduce 7 education service personnel FTEs	\$349,000	
R3.4 Reduce 3 office/clerical FTEs	\$94,000	
R3.8 Eliminate the retirement benefit for 8 administrators	\$33,000	
R3.9 Reduce substitute costs by reducing employee sick leave	\$10,000	
R4.2 Purchase work order system (annual cost)		\$1,000
R4.3 Eliminate 2 custodial FTEs	\$85,000	
R5.1 Reduce 5 buses	\$248,000	
R5.7 Reduce half the cost of special needs van through partnering.	\$14,000	
Total Recommendations Not Subject to Negotiation	\$1,253,000	\$2,000
General Fund Recommendation Subject to Negotiations		
R3.10 Increase employee contribution for single coverage to 10 percent	\$12,000	
Total Recommendations Subject to Negotiation	\$12,000	
Food Service Fund Recommendation		
R3.5 Reduce food service labor hours and increase lunch prices	\$9,000	
Total Food Service Fund Recommendation	\$9,000	
Total Financial Implications	\$1,274,000	\$2,000

Source: Financial implications identified throughout this performance audit

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

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Financial Systems

Background

This section focuses on the financial systems and strategic management functions within the Carlisle Local School District (CLSD, or the District). The purpose of this section is to analyze CLSD's current and future financial condition and examine District-wide management policies and procedures for the purpose of developing recommendations for improvements and identifying opportunities to increase efficiency. CLSD's policies, procedures, and operations were evaluated against recommended practices, industry standards, State requirements, operational benchmarks, and 10 peer districts.¹ Comparison sources included: the Government Finance Officers Association (GFOA), Ohio Revised Code (ORC), Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Auditor of State (AOS), the Ohio Ethics Commission (OEC), the Texas Education Agency (TEA), the National Commission on Fraudulent Financial Reporting (NCFRR), the Southwest Ohio Computer Association (SWOCA), the Institute of Management and Administration (IOMA), the Society for Human Resource Management (SHRM), the American Society for Quality (ASQ), and recommended practices observed at other districts throughout the State.

Financial History

Ohio Revised Code (ORC) § 3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC § 3316.03 was amended effective April 10, 2001 to give the Ohio Department of Education (ODE) the ability to place a school district in fiscal caution if it identifies fiscal practices or budgetary conditions that, if left uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the school board is given 60 days to provide a written proposal to ODE that outlines a plan to correct the practices or conditions that led to the declaration.

According to the fiscal caution guidelines, a district may be placed in fiscal caution by the Superintendent of Public Instruction when it projects a current year ending fund balance less than or equal to two percent of current year projected revenue or a deficit greater than 2 percent in the next fiscal year.

CLSD posted operating deficits in its General Fund, and concluded fiscal year operations with negative cash balances in the last two fiscal years (FYs). In addition, the District ended FY 2006-07 with a General Fund deficit of approximately \$8,000. Finally, CLSD's FY 2007-08 October five-year forecast showed a continuation of these trends through the forecast period.

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

On February 25, 2008, CLSD was placed in fiscal caution due to the possibility of ending FY 2007-08 in a deficit, as well as the potential for deficits in future years. In accordance with ORC § 3316.03 1(C), CLSD was required to submit a fiscal caution proposal to ODE by April 25, 2008, outlining its plan to address the projected deficits for FY 2007-08 and FY 2008-09. CLSD was able to prepare a fiscal caution financial recovery proposal which outlined nearly \$522,000 in cost reductions for FY 2008-09. The fiscal caution financial recovery proposal projects that this level of reductions would allow CLSD to end FY 2008-09 with an unencumbered General Fund cash balance of approximately \$66,000. On April 25, 2008 ODE formally accepted CLSD's fiscal caution financial recovery proposal noting that the proposal effectively addressed the District's projected deficits for FY 2007-08 and FY 2008-09.

For FY 2007-08, CLSD has a total General Fund millage of 41.71 mills, an effective millage of 20 mills, and a Permanent Improvement millage of 2.0 mills. CLSD's property taxes are estimated to generate approximately \$4 million in local revenue, while the District's Permanent Improvement millage is estimated to generate about \$320,000. CLSD's last levy attempt, in 2003, resulted in the successful passage of a 1 percent income tax levy which generated approximately \$1.7 million in FY 2006-07.

Treasurer's Office Operations

CLSD's Treasurer's Office consists of five positions including the Treasurer, payroll clerk, accounts clerk, education management information system (EMIS) coordinator, and Treasurer's secretary. All employees are full-time equivalent (FTE) Treasurer's Office employees except for the Treasurer's secretary who dedicates 60 percent of her time to the Treasurer's Office and 40 percent to tasks assigned by the Director of Operations.

The Treasurer has been at CLSD since October 2007, while the other Treasurer's Office employees have all been with the District significantly longer. The payroll clerk and accounts clerk each have over 8 years in the District, the Treasurer's secretary has over 15 years at the District, and the EMIS coordinator has over 21 years (9 years with EMIS duties) with the District. Treasurer's Office employees are specialized staff and are not bargaining unit employees (see **human resources** for further discussion of CLSD's collective bargaining agreement).

Financial Condition

CLSD's previous Treasurer prepared the FY 2007-08 October five-year forecast, and this version of the forecast was the basis for the District's placement in fiscal caution. AOS performed a high-level review of the FY 2007-08 October five-year forecast and determined that the forecast was based on accurate historical information, included sufficient funding to meet the District's set-aside requirements, and was reasonably accurate when compared to ODE's two-year forecast

analysis. In order to prepare for submission of an updated forecast, AOS reviewed recommended forecast practices with the Treasurer during the course of the audit (see **R2.1**).

During the course of the audit, CLSD updated and released a new version of the FY 2007-08 five-year forecast. **Table 2-1** presents historical and projected revenues and expenditures, as of May 2008. This version of CLSD's five-year forecast was approved by the Board at its May 19, 2008 meeting and takes into account the approved reductions which were included in its financial recovery plan.

Table 2-1: CLSD FY 2007-08 May Five-Year Forecast (in 000s)

	Actual			Forecasted				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenues:								
General Property (Real Estate) Tax	\$3,686	\$3,739	\$4,132	\$4,178	\$4,293	\$4,293	\$4,360	\$4,426
Tangible Personal Property Tax	\$155	\$142	\$98	\$70	\$30	\$0	\$0	\$0
Income Tax	\$897	\$1,662	\$1,694	\$1,823	\$1,725	\$1,740	\$1,784	\$1,828
Unrestricted Grants-in-Aid	\$7,941	\$8,032	\$7,766	\$7,550	\$7,563	\$7,563	\$7,563	\$7,563
Restricted Grants-in-Aid	\$102	\$111	\$127	\$66	\$66	\$66	\$66	\$156
Property Tax Allocation	\$379	\$380	\$437	\$544	\$555	\$586	\$598	\$607
All Other Operating Revenue	\$156	\$177	\$175	\$192	\$206	\$202	\$207	\$213
Total Revenue	\$13,314	\$14,243	\$14,429	\$14,423	\$14,440	\$14,451	\$14,577	\$14,793
Other Financing Sources:								
Advances-In	\$0	\$0	\$0	\$13	\$0	\$0	\$0	\$0
All Other Financial Sources	\$69	\$0	\$1	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$69	\$0	\$1	\$13	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$13,383	\$14,243	\$14,430	\$14,436	\$14,440	\$14,451	\$14,577	\$14,793
Expenditures:								
Personnel Services	\$8,123	\$8,760	\$8,766	\$8,510	\$8,532	\$8,766	\$9,183	\$9,619
Employees' Retirement/Insurance Benefits	\$3,166	\$3,322	\$3,344	\$3,359	\$3,310	\$3,533	\$3,798	\$4,083
Purchased Services	\$1,209	\$1,425	\$1,518	\$1,700	\$1,900	\$1,450	\$1,600	\$1,676
Supplies and Materials	\$263	\$461	\$410	\$380	\$445	\$456	\$477	\$500
Capital Outlay	\$12	\$56	\$39	\$38	\$30	\$30	\$31	\$33
Debt Service: ¹	\$173	\$213	\$210	\$206	\$0	\$0	\$0	\$0
Other Objects	\$214	\$288	\$229	\$234	\$217	\$217	\$227	\$238
Total Expenditures	\$13,160	\$14,524	\$14,516	\$14,426	\$14,434	\$14,452	\$15,317	\$16,149
Other Financing Uses:								
Advances - Out	\$0	\$2	\$13	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$0	\$2	\$13	\$0	\$0	\$0	\$0	\$0
Total Expenditure and Other Financing Uses	\$13,160	\$14,525	\$14,530	\$14,426	\$14,434	\$14,452	\$15,317	\$16,149
Result of Operations (Net)	\$223	(\$282)	(\$99)	\$10	\$6	(\$2)	(\$740)	(\$1,356)
Beginning Cash Balance	\$150	\$373	\$91	(\$8)	\$2	\$8	\$6	(\$734)
Ending Cash Balance	\$373	\$91	(\$8)	\$2	\$8	\$6	(\$734)	(\$2,091)
Outstanding Encumbrances	\$490	\$435	\$544	\$452	\$0	\$0	\$0	\$0
Ending Unreserved Fund Balance June 30	(\$117)	(\$344)	(\$552)	(\$451)	\$8	\$6	(\$734)	(\$2,091)

Source: CLSD

Note: Totals may vary due to rounding.

¹ Debt Service includes: Debt Service: All Principal (Historical) and Debt Service: Interest and Fiscal Charges.

By its nature, forecasting requires estimates of future events, and therefore, differences between projected and actual results are common, as circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared.

Table 2-2 shows CLSD's FY 2006-07 General Fund revenues per pupil as compared to the peer average.

Table 2-2: FY 2006-07 Revenues Comparison

	CLSD	Peer Average	Difference	% Difference
Pupils ¹	1,702	4,042	(2,340)	(57.9%)
Property & Income Tax	\$3,480	\$4,237	(\$757)	(17.9%)
Intergovernmental Revenues	\$4,886	\$3,294	\$1,592	48.3%
Other Revenues	\$102	\$332	(\$231)	(69.4%)
Total Revenues	\$8,468	\$7,863	\$605	7.7%

Source: CLSD and peers

¹ For the purposes of this section of the performance audit, per pupil is based on CLSD's formula average daily membership (ADM) as calculated by ODE and published on the District's FY 2006-07 final SF3 report.

Table 2-2 shows that CLSD is more heavily reliant on intergovernmental revenues relative to the peer average. CLSD's lower property and income tax revenues are largely a function of the District being at the "20 mill floor" as well as having generally lower property values, relative to the peer average.² For example, CLSD's FY 2006-07 assessed property valuation per pupil was approximately \$104,000, while the peer average was approximately \$159,000.

CLSD's allocation of resources among the various functions reflects an important aspect of the budgeting process. Given the limited resources available, functions must be continually evaluated and prioritized. **Table 2-3** shows CLSD's FY 2006-07 General Fund expenditures per pupil in comparison to the peer average.

² A school district with at least 20 mills of current expense taxes levied may not have its effective tax rate reduced below 20 mills. Once the effective tax rate reaches 20 mills, no further reductions in effective rates are made, allowing such districts to receive the full revenue growth from increases in taxable values on those mills.

Table 2-3: FY 2006-07 Expenditures Comparison

	CLSD	Peer Average	Difference	% Difference
Pupils¹	1,702	4,042	(2,340)	(57.9%)
Wages	\$5,146	\$4,668	\$479	10.3%
Fringe Benefits	\$1,958	\$1,642	\$316	19.2%
Purchased Service	\$892	\$733	\$158	21.6%
Supplies & Textbooks	\$241	\$250	(\$9)	(3.5%)
Capital Outlays	\$0	\$140	(\$140)	(99.9%)
Debt Service	\$123	\$4	\$119	2958.4%
Miscellaneous	\$135	\$170	(\$35)	(20.6%)
Other Financing Uses	\$8	\$103	(\$96)	(92.4%)
Total Expenditures	\$8,503	\$7,710	\$793	10.3%

Source: CLSD and peers

¹ For the purposes of this section of the performance audit, per pupil amounts are based on CLSD's formula average daily membership (ADM) as calculated by ODE and published on the District's FY 2006-07 final SF3 report.

Table 2-3 shows that CLSD's total expenditures per pupil were approximately 10 percent higher than the peer average. Explanations for expenditure categories that are higher than the peer average include the following:

- **Wages & Benefits:** Higher wage and benefit costs can be attributed to CLSD's staffing levels. An analysis in the **human resources** section indicates that CLSD employs approximately 124.4 FTE per 1,000 pupils while the peer average is 113.6 FTEs per 1,000 pupils.
- **Purchased Services:** Within purchased services, material line items which exceeded the peer average included professional and technical services and tuition. CLSD's largest purchased service expenditure is for professional and technical services (approximately \$502,000 or \$295 per pupil) associated with non-payroll services which can be performed only by persons with specialized skills and knowledge. The majority of CLSD's professional and technical services consisted of approximately \$197,000 in contracted services from the Warren County Educational Services Center (ESC) and \$246,000 in Warren County Deductions (these were confirmed by the Treasurer as being payments to the ESC for special instruction).

CLSD's second largest purchased service expenditure is for tuition (approximately \$418,500 or \$246 per pupil) associated with students attending specialized schools, and students leaving the District through open enrollment and other similar programs. Due to the nature of these programs, CLSD does not have direct control over the level of student tuition expenditures.

- Debt Service:** Debt service expenditures consist of principal and interest on serial bonds in the amount of approximately \$210,000. In 2003 CLSD borrowed \$750,000 through a tax anticipation note. CLSD will make its last debt service payment of approximately \$206,000 in FY 2007-08 and does not anticipate any debt service payments thereafter.

Table 2-4 compares CLSD’s governmental expenditures per pupil and as a percentage of total expenditures to the peer average.

Table 2-4: FY 2006-07 Governmental Expenditures Comparison

Pupils ¹	CLSD		Peer Average		Difference	
	1,702		4,042		(2,340)	
USAS Function Classification	\$ Per Pupil	% of Exp.	\$ Per Pupil	% of Exp.	\$ Difference	% Difference
Instructional Expenditures:	\$5,419	60.0%	\$4,860	59.0%	\$559	11.5%
• Regular Instruction	\$4,120	45.6%	\$3,850	46.8%	\$270	7.0%
• Special Instruction	\$1,032	11.4%	\$758	9.1%	\$274	36.1%
• Vocational Education	\$223	2.5%	\$151	1.8%	\$72	47.7%
• Adult/Continuing Ed.	\$0	0.0%	\$1	0.0%	(\$1)	(100.0%)
• Other Instruction	\$45	0.5%	\$100	1.2%	(\$55)	(55.0%)
Support Service Expenditures:	\$3,325	36.8%	\$3,068	37.2%	\$257	8.4%
• Pupil Support Services	\$526	5.8%	\$449	5.4%	\$77	17.1%
• Instructional Support Svcs.	\$555	6.1%	\$326	4.0%	\$229	70.2%
• Board of Education	\$12	0.1%	\$30	0.4%	(\$18)	(60.0%)
• Administration	\$701	7.8%	\$624	7.6%	\$77	12.3%
• Fiscal Services	\$244	2.7%	\$177	2.2%	\$67	37.9%
• Business Services	\$12	0.1%	\$39	0.5%	(\$27)	(69.2%)
• Plant Operation & Maint.	\$800	8.9%	\$875	10.6%	(\$75)	(8.6%)
• Pupil Transportation	\$443	4.9%	\$465	5.7%	(\$22)	(4.7%)
• Central Support Services	\$31	0.3%	\$84	1.0%	(\$53)	(63.1%)
Non-Instructional Services Expenditures	\$4	0.0%	\$57	0.7%	(\$53)	(93.0%)
Extracurricular Activities Expenditures	\$291	3.2%	\$256	3.1%	\$35	13.7%
Total Governmental Fund Operational Expenditures	\$9,038	100.0%	\$8,240	100.0%	\$798	9.7%

Source: CLSD and peers

Note: Totals may vary due to rounding.

¹ For the purposes of this section of the performance audit, per pupil amounts are based on CLSD’s formula average daily membership (ADM) as calculated by ODE and published on the District’s FY 2006-07 final SF3 report.

As shown in **Table 2-4**, CLSD’s per pupil governmental expenditures are about 9.7 percent higher than the peer average. In general, CLSD spends more per pupil on instruction, support services, and extracurricular activities, and less per pupil for non-instructional services. Explanations for high spending areas include the following:

- **Instructional Expenditures:** CLSD's instructional expenditures exceeded the peer average for the material line items of regular and special instruction. These expenditures are associated with CLSD's educational program and programmatic decisions made by District administrators. See **human resources** for a detailed analysis of CLSD's educational staffing, salaries, and benefits.
- **Support Service Expenditures:** CLSD's support service expenditures exceeded the peer average in pupil support, instructional support, administration, and fiscal services.
 - **Pupil Support:** The majority of expenditures in this category were for guidance services (approximately \$369,000), and support service staff employee retirement and insurance benefits (ERIB) (approximately \$232,000). See **human resources** for an analysis of the District's support staffing.
 - **Instructional Support:** The majority of expenditures in this category were for service area direction (e.g., technical support staff) of approximately \$156,000, classroom support (e.g., handicapped aides) of approximately \$327,000, and school library services of approximately \$321,000. See **human resources** for an analysis of the District's support staffing.
 - **Administration:** The majority of expenditures in this category were for administrative salaries and ERIB. See **human resources** for analysis of the District's administrative staffing.
 - **Fiscal Services:** The majority of expenditures in this category were for Treasurer's Office staff (Treasurer, accounts clerk, payroll clerk, and EMIS coordinator) salaries and ERIB. See **human resources** for analysis of the District's administrative and clerical staffing. CLSD also had significant expenditures for State and county auditor fees of approximately \$84,000.

Table 2-5 compares CLSD's discretionary expenditures per pupil and as a percentage of total expenditures to the peer average.

Table 2-5: FY 2006-07 Discretionary Expenditures Comparison

Discretionary Expenditures	CLSD Per Pupil ¹	CLSD % of Exp.	Peer Avg. Per Pupil	Peer Avg. % of Exp.	Difference	% Difference
Professional & Technical Services	\$294.71	3.5%	\$118.86	1.5%	\$175.85	147.9%
Property Services	\$116.36	1.4%	\$141.74	1.8%	(\$25.38)	(17.9%)
Travel Mileage/Meeting Expense	\$9.62	0.1%	\$14.09	0.2%	(\$4.47)	(31.7%)
Communications	\$21.93	0.3%	\$20.33	0.3%	\$1.61	7.9%
Pupil Transportations	\$12.25	0.1%	\$6.50	0.1%	\$5.75	88.6%
General Supplies	\$84.23	1.0%	\$95.53	1.2%	(\$11.29)	(11.8%)
Textbooks	\$68.03	0.8%	\$40.35	0.5%	\$27.68	68.6%
Plant Maintenance and Repair	\$47.07	0.6%	\$44.68	0.6%	\$2.39	5.3%
Fleet Maintenance and Repair	\$40.18	0.5%	\$68.18	0.9%	(\$27.99)	(41.1%)
Land, Building & Improvements	\$0.00	0.0%	\$48.38	0.6%	(\$48.38)	(100.0%)
Equipment	\$12.62	0.1%	\$67.80	0.8%	(\$55.18)	(81.4%)
Buses/Vehicles	\$10.53	0.1%	\$23.47	0.3%	(\$12.94)	(55.1%)
Dues and Fees	\$96.58	1.1%	\$159.06	2.1%	(\$62.47)	(39.3%)
Insurance	\$37.39	0.4%	\$10.31	0.1%	\$27.07	262.2%
Total	\$851.50	10.0%	\$859.28	11.0%	(\$7.78)	(0.9%)

Source: CLSD and peers

Note: Totals may vary due to rounding.

¹ For the purposes of this section of the performance audit, per pupil amounts are based on CLSD's formula average daily membership (ADM) as calculated by ODE and published on the District's FY 2006-07 final SF3 report.

As shown in **Table 2-5**, CLSD's FY 2006-07 discretionary expenditures accounted for about 10 percent of total operating expenditures, an amount slightly below the peer average of 11 percent. In addition, CLSD's total discretionary expenditures per pupil were \$851.50, or \$7.78 per pupil less than the peer average. Within discretionary expenditures, CLSD's highest expenditure was approximately \$295 per pupil for professional and technical services. These expenditures are primarily associated with CLSD's contracted services from the Warren County ESC. See **Table 2-3** for a further analysis of purchased services. Although discretionary expenditures are lower than the peer average, the District could make further reductions to these categories of expenditures in response to increased budgetary constraints or loss of revenue.

According to **Table 2-5**, CLSD's insurance expenditures per pupil appear to be significantly higher than the peer average. However, CLSD's detailed financial reports show the District has allocated all insurance expenditures to the Uniform School Accounting System (USAS) code that is intended to record "expenditures for insurance to protect school board members, pupils, and employees of the district against loss due to accident or neglect, or to protect the assets of the school district, and includes self-insurance medical claims." Although expenditures recorded in

this account code are, by definition, liability insurance expenditures, CLSD's FY 2006-07 expenditures for this code included property insurance, fleet insurance, and consulting services.

The USAS account code for management services is defined as "services performed by persons qualified to assist management either in the broad policy area or in the general operation of the school district." It is to this code that the District should have assigned its FY 2006-7 health/dental/life insurance consultant expenditures of \$14,400 and fleet/property/liability insurance consultant expenditures of \$3,111.

The USAS account code for property insurance is defined as "expenditures for insurance on any type of property, buildings, and equipment owned or leased by the school district." It is to this code that the District should have assigned its property insurance expenditures of \$19,620 and auto liability insurance expenditures of \$14,716.

Implementing these coding changes would impact the way in which CLSD compares to the peer average in **Table 2-5** in the following ways:

- **Professional and Technical Services:** This line-item would have increased to \$305.00 per pupil and 3.6 percent of total expenditures and remained higher than the peer average by \$186.14 per pupil or 156.6 percent.
- **Property Services:** This line-item would have increased to \$136.53 per pupil and 1.6 percent of total expenditures and remained lower than the peer average by \$5.21 per pupil or 3.7 percent.
- **Insurance:** This line-item would have decreased to \$6.93 per pupil or 0.1 percent of total expenditures which would have reduced it below the peer average by \$3.39 per pupil or 32.9 percent.

Therefore, CLSD's insurance expenditures were not actually higher than the peer average. Rather, the District had incorrectly classified these expenditures (see **R2.13**).³

³ During the course of the audit, CLSD, as a part of the District's recovery plan, eliminated the health/dental/life insurance consultants (estimated at \$13,000 for FY 2009-10). According to the Treasurer, the Southwestern Ohio Education Purchasing Council (EPC), a council of governments providing purchasing and business services to member organizations, already compares insurance plans when it determines what plans the consortium will offer to its clients. Therefore, the act of obtaining consulting services on its own was a duplicative process by CLSD and an unnecessary expense. In addition, during the course of the audit, the Treasurer noted that the property/fleet/liability insurance consultant agreed to waive the consulting fee of approximately \$3,000 for FY 2008-09. Further, the Treasurer indicated that a competitive bid would be obtained from the Southwestern Ohio EPC and that competitive bids obtained by the consultant would be requested and reviewed by the District.

Audit Objectives for the Financial Systems Section

The following is a list of the questions used to evaluate the financial systems functions at CLSD:

- What has been the District's financial history and does the District have policies and procedures to ensure effective and efficient management?
- Does the five-year forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system of communicating its financial data and does the District actively involve stakeholders in the decision making process?
- Has the District developed a strategic plan that links educational and operational plans and incorporates recommended practices?
- Is the District's budgetary process consistent with recommended budgetary practices, and how does the District's revenue and expenditure information compare with the peers?
- Has the District established policies governing ethical conduct?
- Are staff within the Treasurer's Office organized efficiently and managed effectively?
- Does the District's purchasing practice follow recommended practices and do procedures ensure adequate control over purchases?
- Has the District developed effective internal controls over the payroll process?

Recommendations

Five-Year Forecast

- R2.1 CLSD should prepare an updated five-year financial forecast which includes all recommended forecast practices as outlined by ODE. In addition, the District should ensure that when preparing the five-year forecast, it avoids common forecasting shortcomings identified by AOS. A sound and well-supported five-year forecast is the basis for all District plans, including the District-wide strategic plan (see R2.2) as well as building and department-level budgets (see R2.3).**

The current Treasurer did not prepare CLSD's October 2007-08 five-year financial forecast, and, prior to May 2008, had never prepared a school forecast because his background is in public accounting rather than in school finance. ODE completed an analysis of the District's October forecast as part of the fiscal caution oversight process. The results of this analysis indicated that the District's FY 2007-08 October five-year forecast was reasonably accurate.

CLSD was officially placed in fiscal caution by ODE in February 2008 and was formally required to prepare and submit a fiscal caution financial recovery plan. This recovery plan outlines nearly \$522,000 in expenditure reductions. The Treasurer, with input from the Superintendent and Director of Operations, prepared the District's fiscal caution financial recovery plan and he indicated that the experience was a helpful step to learning how to prepare a full five-year forecast. The Treasurer submitted an updated five-year forecast by May 31, 2008, in accordance with the State requirement (see **Table 2-1**).

How To Read A Five-Year Forecast (Ohio Department of Education (ODE), 2007) provides a clear and concise summary of the factors which should be taken into account when preparing the five-year forecast.⁴ In addition, *The Auditor of State's Best Practices* (AOS, Spring 2004) outlines some common problems noted with, and typical recommendations for enhancement of, five-year forecasts.⁵

Incorporation of the elements and recommendations within these two publications during preparation of the updated five-year forecast will allow the District to ensure the forecast is as reasonable and accurate as possible.

⁴ For the full publication see:
www.ode.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=1011&ContentID=30962&Content=30970

⁵ For the full publication see:
www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol1Issue1_Spring%202004.pdf

Strategic Management

R2.2 CLSD should develop a District-wide strategic plan which outlines the strategic vision for all operational and educational programs. The plan should include detailed goals, objectives, benchmarks, timeframes, performance measures, cost estimates, and funding sources. In addition, CLSD should link the strategic plan to the annual budget (see R2.3), the five-year forecast (see R2.1), the comprehensive continuous improvement plan (CCIP), and the facilities master plan (see R4.1). This approach shifts the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs, and ultimately to the accomplishment of the goals and objectives stated in the District's strategic plan.

CLSD does not have a strategic plan. The District is starting to develop a base for a strategic plan but administrators have had to allocate efforts towards two issues that are more urgent: the District's placement in fiscal caution and working with the Ohio School Facilities Commission. In developing a strategic plan, the Treasurer and Superintendent want to focus on addressing the conditions which led to the General Fund deficit and then focus on plans that would allow the District to avoid seeking the passage of a levy before FY 2009-10.⁶ The Superintendent and Treasurer would like to have a strategic plan that allows CLSD to operate efficiently within its means, and to plan contingently for future losses of funding or levy failures.

Recommended Practice on the Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) advocates that all governments develop strategic plans in order to provide long-term perspectives for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. An important complement to the strategic planning process is the preparation of an accompanying long-term financial plan (see **R2.1**). In preparing the strategic plan, GFOA recommends the development of measurable objectives and inclusion of performance measures. Performance measures should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and establish an important link between the goals in the strategic plan and the activities funded in the budget.

Without a comprehensive strategic plan to tie all operational and program needs together, including budgetary and educational goals, CLSD may not be able to directly link its

⁶ Based on the FY 2007-08 May five-year forecast presented in **Table 2-1**, CLSD still faces negative General Fund balances in FY 2010-11 and FY 2011-12. Although this version of the forecast reflects the reductions made during the course of the audit, the District will need to make further reductions or seek revenue enhancements in order to achieve a balanced budget over the forecast period.

actions and funding decisions with their impact on other programs. Therefore, CLSD might have a greater risk of under- or over-funding particular programs relative to other District needs. Finally, a single District-wide planning document could increase the efficiency of CLSD's overall expenditure dynamic through tighter budgetary controls and a longer-term focus.

R2.3 CLSD should develop its annual budget in a manner targeted toward accomplishing the goals and objectives identified in the strategic plan (see R2.2). This would improve its ability to focus budget priorities for the upcoming year and aid in maintaining that focus once the budget has been adopted. CLSD should also consider using a more decentralized budgeting process which takes advantage of the knowledge of its site-based administrators (department heads and principals), teachers, and other staff. For example, CLSD could allow site-based administrators to develop and submit the first proposal for the budget for their area of responsibility. The Treasurer, Superintendent, and Director of Operations could then evaluate the proposal to confirm that the expenditures are in line with the District's goals for the upcoming year and within anticipated revenues. This process would ensure the budget incorporates each administrator's knowledge of District operations and needs. Implementing this recommendation may require the District to start the budget development process earlier in the fiscal year.

CLSD has Board policies governing preparation of the budget, including the annual tax budget, annual appropriations, and budget deadlines. These policies are designed to ensure the District maintains compliance with State requirements and meets timelines for preparation and submission of an annual tax budget and annual appropriations resolution.

In the past, the budget was developed by the Treasurer's Office with little or no input from the building principals or department managers. Building and department budgets were developed by increasing the prior year's total expenditures by an inflationary factor.

In developing the FY 2008-09 budget, the Treasurer plans to prepare individual building and department budget documents so that each principal or department director can have input on specific allocations. This input will then be given consideration by the Treasurer and Superintendent when preparing the FY 2008-09 building and department budgets.

The Budget Committee is the District's primary means of gaining staff input in the budgeting process. The Budget Committee's primary function is to participate in the budgeting process by making recommendations to the Treasurer. Given CLSD's financial condition, the Committee has been focused on historical financial performance (budgets to actual expenditures) and trying to determine areas in which the District could save money. However, CLSD has no formal means for communicating the budget development process to, or obtaining input from, the community stakeholders.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1998) recommends that governments develop budgets that are consistent with approaches to achieve goals, and that they include performance measures. Some of these performance measures should document progress toward achievement of previously developed goals and objectives as defined by the government-wide strategic plan. GFOA goes on to indicate that governments should provide opportunities in the budget process for obtaining stakeholder input. This helps ensure that stakeholder priorities are identified, and their participation ultimately enhances support for the approved budget.

Developing the budget based on goals and objectives outlined in the strategic plan will help CLSD focus the District's limited resources toward efficient and effective uses. Furthermore, including key managers in the budgeting process would ensure that the budget incorporates each administrator's knowledge of building and department needs.

Financial and Management Policies

R2.4 CLSD should supplement its existing financial policies to include the policies recommended by *Best Practices in Public Budgeting* (GFOA, 2000). These policies would help the District promote long-term financial flexibility and stability by identifying the appropriate parameters for financial activities outside the District's day-to-day operations. Improved policy guidance would help the District plan more effectively and avoid making major cost reductions as a result of a temporary downturn in the economy or the failure to pass a levy.

In addition, CLSD's accounting policies and procedures should be formalized and reviewed in a manner consistent with GFOA recommended practices. Formalized accounting policies and procedures would help the District enhance accountability and consistency within the Treasurer's Office operations. Readily available accounting policies and procedures could also serve as a resource for cross-training (see R2.17). Furthermore, once these policies are in place, CLSD should review and formally approve the policies on a predetermined schedule, or at least every three years.

The CLSD Board of Education (the Board) has developed financial policies to help guide financial decision making. The Board's policies were last updated in December 2006 but not all policies were updated at that time. Despite having comprehensive policies for financial management, the District is lacking certain policies recommended by GFOA.

Best Practices in Public Budgeting (GFOA, 2000), recommends developing financial policies for the following additional areas:

- **Stabilization funds** – The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used.
- **Debt issuance and management** – The policies should include: purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints; refunding of debt; and investment of bond proceeds. Legal or statutory limitations on debt issuance should be incorporated into debt policies.
- **Debt level and capacity** – A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita.
- **Unpredictable revenues** – For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.
- **Contingency planning** – This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.

Collectively, these policies would help the District promote long-term financial flexibility and better withstand short-term declines in revenue due to economic factors, levy failures, or unanticipated expenses.

In addition, employees in the Treasurer's Office indicated they do not have formalized written instructions for payroll and accounting processes. The payroll clerk has hand-written instructions for entering and processing payroll, but these have not been formally reviewed or approved. A review of AOS financial audit documentation revealed that CLSD has accounting policies and procedures governing both payroll and purchasing

processes which were approved in 1986. However, these policies do not show evidence that they have been approved by the Board or updated since they were initially developed.

Documentation of Accounting Policies and Procedures (GFOA, 2007), notes that every government should document its accounting policies and procedures. Traditionally this has been done through the establishment of an accounting policies and procedures manual. The documentation of accounting policies and procedures should be reviewed annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. Furthermore, procedures should be described as they are actually intended to be performed rather than in an idealized form. Finally, the documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

The absence of readily available, up-to-date, and documented accounting policies and procedures prevents the District from ensuring accountability and consistency through formalized procedures. Formally documented policies and procedures could serve as a useful training tool for staff (see **R2.17**), and a useful resource for the Treasurer's Office in the event of future turnover.

R2.5 CLSD should develop and approve a policy on forecast development, review and approval. The policy should establish a collaborative approach to forecasting in which the forecast is prepared by the Treasurer with substantial input from the Superintendent and Director of Operations, with additional input from building and department administrators. A more collaborative approach will ultimately improve the forecasting accuracy through incorporation of multi-faceted technical expertise. Finally, a collaborative forecasting process helps to ensure that all District administrators are on the same page with the resulting approved forecast.

CLSD's only forecast-related procedure is compliance with the State requirement of submitting the forecast to ODE by October 31 and May 31. There are no set policies and procedures for recommended forecast practices. The previous Treasurer prepared the forecast with little or no input from the Superintendent, Director of Operations, or building and department administrators. In order to meet the May deadline, the Treasurer prepared and filed a revised forecast in accordance with ODE's guidelines. The Treasurer, Superintendent, and Director of Operations worked collaboratively to prepare this forecast, and plan to apply this approach to the District's subsequent forecasts.

Use of Cash Flow Forecasts in Operations (GFOA, 2008) notes that a government's forecast preparation process should be organization-wide and, as such, all operating

departments should be involved in developing reasonable expectations of planned expenditures. Collaborative forecasting facilitates more accurate measurement and improved prioritization, relative to governmental goals, of likely resource inflows and outflows.

CLSD's Treasurer, Superintendent, and Director of Operations plan to prepare upcoming forecasts in a collaborative manner with input from all buildings and departments. This process will enable them to present unique perspectives concerning revenues and expenditures based on their roles within the District. Furthermore, collaborative forecasting provides a greater assurance that the District's forecast accurately reflects planned programmatic and operational efforts.

R2.6 CLSD should follow GFOA recommended practices and establish a detailed policy on student and athletic fees and charges which specifically addresses the following:

- **How the District determines the level at which fees are assessed;**
- **What the fees are intended to cover; and**
- **Why fees are not covering the full cost of services provided (if applicable).**

Establishing a clear policy on student fees and charges will help the District to better justify what the fees are intended to cover and could help to increase compliance with fee payment.

During the course of the audit CLSD developed a revised policy on student fees which is available on its web site. The policy states that fees are to be paid at the start of the year or prior to participating in a fee-based activity, but the policy also notes guidelines under which exceptions to the policy will be determined. Finally, the policy outlines a payment plan and payment options which include online payment. However, the updated school fees policy does not fully address GFOA recommended practices.

Although CLSD's *other revenues* are not a major line item, the Treasurer indicated that collection of student fees was a weakness in the District.

CLSD has a Board policy governing school fees, as well as a policy governing student fees, fines, and charges. The policy states that:

"Pupils enrolled in the District will be furnished basic textbooks without cost. However, the Board will annually establish such fees as are necessary to cover the cost of supplies, copier costs, consumable materials, and other special items. Such fees will vary from grade to grade, according to the cost and quantities of materials needed.

The administration shall establish and the Board will approve a schedule of fees for all grade levels of students which require special materials and services.

The Board authorizes the waiver of all such fees for needy children, upon the written request of parents or guardians and the recommendation of the building principal.

As permitted by State law, all grades, including student's report cards and credits, will be withheld for those students who have not paid the required fees, or school-levied fines such as library fines, authorized by the building principal."

CLSD does not have a specific methodology for determining the level at which student fees are assessed. The fees were recently increased by \$5 and the FY 2007-08 fee schedule charges K-5 students \$50 and 6-12 students \$55. There has been significant discussion at the building level and with District administrators about switching to an itemized student fee system in which fees would be assessed based on the students' classes or activities. The high school principal noted that athletic fees are communicated to student athletes verbally by their coaches. No form or letter is sent home to parents regarding the student athletic fees.

The Treasurer indicated that he would also like to switch to a system of itemized student fees which would be possible and very practical if the District implemented an electronic point-of-sale system. A point of sale program would allow parents to add funds to a student "credit card" which they could then use to purchase lunch items. The system would also allow the District to easily charge specific student fees by course and would allow parents to pay those fees online with a credit card. The Treasurer also plans to develop a policy outlining that athletic participation will now be contingent upon payment of all student fees.

Setting of Charges and Fees (GFOA, 1996) states that, in practice, governments set some charges and fees to recover 100 percent of the cost of a service provided. Other charges and fees are set at levels above or below cost for various reasons, and in some cases, the amount of a charge or fee may be restricted by state or local law. GFOA supports the use of charges and fees as a method of financing governmental goods and services and makes the following recommendations about the charge- and fee- setting process:

- A formal policy regarding charges and fees should be adopted. The policy should identify what factors are to be taken into account when pricing goods and services. The policy should state whether the jurisdiction intends to recover the full cost of providing goods and services. It also should set forth under what circumstances the jurisdiction might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a good or service is not recovered, then an explanation of the government's rationale for this deviation should be provided. Some considerations that might influence governmental pricing practices are the

need to regulate demand, the desire to subsidize a certain product, administrative concerns such as the cost of collection, and the promotion of other goals.

- The full cost of providing a service should be calculated in order to provide a basis for setting the charge or fee. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities. Examples of overhead costs include: payroll processing, accounting services, computer usage, and other central administrative services.
- Charges and fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
- Information on charges and fees should be available to the public. This includes the government's policy regarding full cost recovery and information about the amounts of charges and fees, current and proposed, both before and after adoption.

Although CLSD has a policy on student fees and charges, the policy does not account for the GFOA recommended elements. Specifically, the Board policy does not address how the District determined the level of student and athletic fees, whether or not the level of fees is meant to cover the full cost of activities, or if the fees should be reviewed and approved on an ongoing basis to ensure that fee levels are consistent with District expectations and inflationary increases. CLSD's administrators indicated the District intends to move toward a system of specific fees but this had not been implemented prior to the end of audit fieldwork.

R2.7 CLSD should update existing Board policies to include a District-wide ethics policy based on the Ohio Ethics Commission's (OEC) model ethics policy for local governments. This policy holds all District representatives and employees to a consistent standard of ethical conduct in compliance with State law. An updated Board approved ethics policy should increase public trust by formally prohibiting conflict of interest or personal gain in making and implementing all public decisions.

According to the Ohio Ethics Commission (OEC), the Superintendent and Treasurer have been filing all ethics paperwork in accordance with State requirements. Board policies exist which contain ethics policies regarding Board and certificated staff ethics. There was no evidence of a District-wide ethics policy, or a specific ethics policy to govern administrative and specialized staff.

The OEC states the underlying principle for all functions of the ethics law is to uphold straight-forward standards of conduct that maintain integrity and propriety in connection with decisions and policy involving public funds. Particularly, the law prohibits conflicts of interest or personal gain in making and implementing public decisions. Additionally, the OEC offers a model ethics policy for local government agencies. The model ethics policy lists a number of general standards for ethical conduct as well as ethics requirements and penalties associated with compliance failure.

Although CLSD has policies that govern its ethics stance for Board members and certificated employees, it does not have an official ethics policy governing all employees. Without a comprehensive policy that holds all District representatives and employees to a consistent ethics standard, CLSD may be at risk for individual ethical misconduct and a resulting loss of the public's trust.

R2.8 CLSD should review and update the District's policies governing purchasing. Furthermore, it should aggregate the reviewed Board policies and procedures into a District-wide purchasing manual. The District should ensure the staff complies with the Board policy and purchasing manual, including holding employees responsible for purchases made improperly, if necessary. Lastly, CLSD should also ensure that appropriate documentation – such as the bids or quotes received for purchases over the established price threshold, as well as documentation that the goods or services have been received – is maintained.

CLSD's purchasing process starts with an employee creating a requisition and purchase order to submit to the principal or department supervisor for approval. After it is approved at that level, the building or department secretary forwards the paperwork to the accounts clerk who passes it on to the Superintendent and Treasurer for approval. After this approval, the purchase request is processed to the vendor.

Historically, there have not been adequate controls over compliance with the District's purchasing policies. Routinely, money that had been allotted at the beginning of the fiscal year, based on the building or department budget, was assumed to be available. There was little emphasis on having the purchases pre-approved by the Superintendent and Treasurer. As a result, CLSD was cited in its most recent financial audit for non-compliance with purchasing and approval requirements (see **R2.10**).

When the Treasurer was hired in October 2007, purchasing problems were cited in the District's financial audits. In response, the Treasurer sent a memo to the District's administrative staff notifying them that there were problems with purchases not being pre-approved and that Board policies and the District's financial condition prohibited this type of activity. The Treasurer noted that this practice would no longer be acceptable.

According to the Treasurer, the total number of purchases has slowed down greatly and there is little problem with incorrect purchases since the purchasing memo was sent out.

CLSD's purchasing guidelines are included in the Board policy manual, but the District does not have a separate purchasing manual. Board policy requires that competitive bids or quotations shall be solicited in connection with all purchasing whenever practical. Further, all purchase contracts for materials, equipment, or repairs involving a capital expenditure of more than \$25,000 shall be awarded on the basis of public advertising and competitive bidding.

The accounts clerk indicated that when items are purchased by the Treasurer's Office they make sure that the District is receiving the lowest price. However, Treasurer's Office employees are not seeing evidence of price comparisons on purchase orders generated outside the Treasurer's Office. The District makes an effort to purchase from the Southwestern Ohio Educational Purchasing Council (EPC), which posts product quotes and bids on its web site.

Financial Accountability System Resource Guide (Texas Education Agency (TEA), 2004) recommends that every school district have a written manual describing its purchasing policies and procedures. A good purchasing manual establishes rules for making district purchases. It provides guidance to district employees at the building and departmental levels in requisitioning purchases and often is used to acquaint vendors and suppliers with district policies and procedures. Internally, the manual helps in training school district personnel in purchasing policy and procedures. Finally, it promotes consistency in purchasing applications throughout the district. Such a manual can either stand alone or be made a part of a financial and accounting manual.

TEA notes that a typical purchasing manual 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;
- Vendor selection and relations;
- Receiving;
- Distribution; and
- Disposal of obsolete and surplus property.

Although it lacks a purchasing manual, many of the abovementioned policies recommended by the TEA are present in the District's policies governing fiscal management. Items which do not appear to be covered in the Board policies include

receiving and distribution. Lack of a readily available purchasing manual could have been a contributing factor to the District's lack of complete adherence to purchasing policies and procedures (see **R2.10**). The development, approval, and distribution of a District-wide purchasing handbook would help the Board, Treasurer, and Superintendent to reaffirm the District's official position on all purchasing matters.

Without proper pre-approval of all purchases, CLSD cannot maintain appropriate controls over District budgeting and purchasing. Suboptimal purchasing controls could lead to overspending which could, in turn, negatively impact the District's already precarious financial condition. Enforcement of the District's purchasing policies would help to ensure that all purchases are completed in a manner consistent with Board expectations and State requirements.

Budget and Audit Committees

R2.9 CLSD should expand the composition and the role of the Budget Committee to make the best use of this group. The Budget Committee should be expanded to include community stakeholders (see also R2.10). Expanding and maximizing the composition of the Budget Committee would help the District broaden the experience and perspectives generated by the Committee's membership.

CLSD does not have a finance committee, although according to the Superintendent and Treasurer, there had at one time been this type of committee and it consisted of District administrators, employees, and community members. The Superintendent and Treasurer indicated the finance committee was eliminated due to a lack of participation on the part of community members. According to the Superintendent and Treasurer, an independent group of community members has taken an interest in the District's financial condition. This group would likely evolve into a levy committee in the event the District seeks to pass a levy in the future.

The District has a Budget Committee which consists of three administrators (the Treasurer, the Superintendent, and the Director of Operations) and three District bargaining unit members. This group was established in the District's most recent collective bargaining agreement. According to the Treasurer, the Budget Committee helps the District gain staff input in the budgeting process. The Budget Committee is examining historical financial performance (budget to actual expenditures) and trying to identify areas where the District could save money.

CLSD has a policy governing its stance on community involvement in decision making. This policy states that residents who are specially qualified because of interest, training, experience, or personal characteristics shall be encouraged to assume an active role in school affairs. From time to time, such persons may be invited by the Board to act in

advisory capacities. The Board and the staff shall give consideration to the advice received from individuals and community groups interested in the schools. This is especially true of those individuals and groups the Board has invited to advise them regarding selected issues.

While CLSD has included employee and administrative stakeholders on the Budget Committee, it has not included community stakeholders. In addition, the Budget Committee is only formally involved in discussions about the budgeting process. Without community stakeholders on the Budget Committee, the District is not maximizing its effectiveness.

R2.10 CLSD should assign the duties of an audit committee to the District's Budget Committee (see R2.9). The committee should oversee financial audits and management letters and review the District's internal control structure. This would help ensure that CLSD develops and adheres to a sound system of internal controls, which will result in procedures to objectively assess management's practices. Although an audit committee would typically comprise a separate committee, CLSD is a small District and may not be able to form multiple committees without overextending limited resources. Modifying the role of the Budget Committee to accommodate the functions of an audit committee will necessitate that the District redefine the purpose of the Committee and rename it to more accurately reflect the expanded role.

CLSD does not have an audit committee, nor does it have a body responsible for ensuring audit findings are resolved and recommendations are implemented. **Table 2-6** summarizes CLSD's financial audit and management letter non-compliance citations, reportable conditions, and recommendations since FY 2004-05.

Table 2-6: Financial Audit and Management Letter Citations

Non-compliance Citation or Reportable Condition and Recommendation	FY 2004-05	FY 2005-06
AOS review of the District's disbursements revealed that pre-numbered checks were sometimes used out of sequence and that 9 percent of tested payments were hand-typed checks. AOS recommends that pre-numbered checks should never be used out of sequence and the use of hand-typed checks be prohibited.	X	
ORC § 9.38 – The District should make timely deposits of all monies.	X	X
ORC § 3313.291 – The District should adopt a resolution outlining the information required by the section of the code regarding petty cash accounts.		X
ORC § 5705.10 – The District should monitor the General Fund cash flow and related fund balance to avoid reducing the General Fund balance below zero. The District should consider timing payments from the General Fund to correspond with cash inflows. The District should also consider requesting tax advances from the county auditor if the funds are available for advance.	X	X
ORC § 5705.36(A) (4) – The District should request an amended certificate when the amount of deficiency will reduce available resources below the current level of appropriations.	X	
ORC § 5705.39 – The District should monitor appropriations versus estimated resources on a timely basis.	X	
ORC § 5705.41(B) – The District should monitor the budgetary process to ensure that disbursements do not exceed appropriations.	X	X
ORC § 5705.41(D) – The District should require that officials and employees obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The District should post approved purchase orders to the proper appropriation code to reduce the available appropriation.		X
<i>Additional Recommendations</i>		
Total Number of Citations, Reportable Conditions and Recommendations	7	6
Findings for Recovery and Federal Questioned Costs	N/A	N/A

Source: AOS FY 2004-05 and FY 2005-06 financial audits and management letters

Note: Shading highlights those citations which have been issued in multiple years.

Note: At the time of the audit, CLSD's FY 2006-07 financial audit had not been completed.

Table 2-6 shows that CLSD had six financial audit and management letter citations and recommendations in FY 2005-06. Three of the FY 2005-06 citations had been issued in prior years and therefore can be considered ongoing problems. However, the Treasurer has taken steps to address some of the citations. For example, a memo was sent to all administrative staff outlining the District's policy that no purchases may be made without pre-approval of a purchase order by the Treasurer.

Recommended Practice: Audit Committees (Government Finance Officers Association (GFOA), 2006), notes that an audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. GFOA recommends that the governing body of every state and local government establish an audit committee or its equivalent.

Furthermore, *The Auditor of State's Best Practices* (AOS, 2005) notes that the National Commission on Fraudulent Financial Reporting (NCFRR, also known as the Treadway Commission) recommends the creation of an audit committee to enhance the credibility of an agency's financial reporting and to strengthen its internal control structure. In general, the audit committee serves in an advisory role to the governing body. Through its activities, the audit committee helps to reduce fraudulent financial reporting and helps to facilitate both internal and external audits. As part of its activities, the audit committee reviews the draft financial statements, notes to the statements, and, if applicable, any accompanying information, such as management's discussion and analysis. The audit committee typically works with management and internal and external audit staff to select accounting standards, discuss sensitive audit areas, and resolve disagreements between management and audit staff. In working with the independent auditors, the audit committee should be apprised of the occurrence of any of the following matters:

- Fraud and illegal acts;
- Deficiencies in internal controls;
- Auditor responsibility and expectations;
- Significant accounting policies and estimates;
- Significant audit adjustments;
- Disagreements with management and consultation with other accountants; and
- Difficulties encountered in performing the audit.

Without a formal audit committee responsible for addressing financial audit citations and implementing the accompanying recommendations, CLSD may not be able to effectively address every audit issue. The establishment of an audit committee would allow the District to improve its internal control environment while promoting an independent and objective review of all District financial reporting.

*Stakeholder Communication***R2.11 CLSD should consider holding quarterly community forums to discuss a wide range of District-related topics. Public discussion forums will help CLSD inform the public about pertinent issues and allow the District to receive stakeholder feedback critical to enhancing the effectiveness of management decision making.**

CLSD does not hold regularly scheduled community forums. There have been specific examples of this type of communication in the past (e.g., there was a community forum to discuss the possibility of constructing new buildings). The District has been experimenting with the idea of holding an open work session after the formal Board meetings so that community members who so desire will be able to see the District administration interacting and working together to address pertinent issues. Both the Superintendent and Treasurer felt that communication with the District's employees and stakeholders was changing for the better and becoming more open.

Carlisle Connection, CLSD's quarterly newsletter, is available in both print and online formats and contains information regarding various District events. The December 2007 edition of the *Carlisle Connection*, which was available during the course of the audit, also listed the Board's goals for FY 2007-08. *Carlisle Connection* is the District's only ongoing, formal, and community-focused communication effort.

Painesville LSD employs a variety of communication methods to convey important District information, including financial and operational information, to the community. For example, Painesville LSD uses newsletters, a popular annual financial report, televised Board meetings, community surveys, collaborative town hall meetings with community members, and its website to convey information to the community.

Although CLSD has monthly Board meetings and distributes a quarterly newsletter to community members, it has not established community forums specifically to receive community feedback. Establishing regular community forums at which District administrators present pertinent financial and operational information could help to further engage stakeholders in District-wide issues while at the same time building community support.

R2.12 CLSD should consider updating its web site to include administrative and financial information that could be useful to stakeholders. By making administrative and financial information available on its web site, CLSD would be using a relatively inexpensive method to help people better understand its financial condition and program and business goals. In addition, a redesigned web site, with increased content, could make additional public information more accessible to the community.

During the course of the audit CLSD began adding new policies to the resources section of the District's web site (see R2.6).

CLSD's web site contains basic information about the District such as contact information, building locations, a calendar of events, lunch prices, and resources such as Board meeting dates and locations. However, the web site contains very little financial information and lacks fundamental information such as links to the District's forecast, budget, or comprehensive continuous improvement plan (CCIP).

According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government should publish its budget documents and its comprehensive annual financial report directly on the web site. Furthermore, GFOA notes that a government effectively using its web site can realize a number of benefits including increased public awareness, increased public usage of the information, availability of information for use in public analysis, and possible avoidance of disclosure redundancy.

The Westerville City School District's (Westerville CSD) web site provides its stakeholders with several key information sources pertaining to the District's operations. For example, Westerville CSD's web site provides the following: Board policies, meeting minutes, agendas, presentations, and goals; FY 2007-08 tax budget and five-year forecast; FY 2006-07 financial reports; property tax, millage, and valuation information; comprehensive continuous improvement plan (CCIP); local report card, and facility rental forms. The Wayne Trace Local School District also provides its stakeholders with board meeting minutes and an annual financial report on its web site.

CLSD's web site has not been developed and expanded to include readily available information and documents as recommended by GFOA and as observed on other district web sites. CLSD's web site could include:

- Board information such as: policies, meeting minutes and agendas, and presentations and goals;
- Financial information such as: five-year forecast, tax budget, and financial reports;

- Levy information such as: property tax, millage, and valuation; and
- Various other planning and informational documents such as the CCIP and facility rental forms.

Payroll and Purchasing Efficiency and Automation

R2.13 CLSD should ensure that all revenues and expenditures are consistently recorded in compliance with the Uniform School Accounting System (USAS). Ensuring that revenues and expenditures are accurately reported will help the District make use of its own data in the most effective manner, while at the same time, ensuring that other agencies have the most accurate information available for analysis.

AOS found that CLSD had classified expenditures in a manner which was contrary to USAS code definitions. For example, insurance expenditures were reviewed and determined to have been incorrectly classified (see **Table 2-5**).

According to the USAS Manual, by selecting the most appropriate code within each required dimension, each financial transaction of the district will be adequately identified. The use of certain dimensions to identify each type of financial transaction is the responsibility of school district management. The determination should consider the informational needs of the school district, ODE, and other regulatory agencies.

CLSD's revenue and expenditure codes were defined prior to the Treasurer coming to the District in October 2007. If changes are not made in the coding to ensure greater reporting accuracy, the District's financial information could be less useful for District and State agency purposes.

R2.14 CLSD should fully implement the automated purchasing features of its USASweb application. In order to do so, the District should work with representatives from the Southwest Ohio Computer Association (SWOCA) to ensure that all affected employees participate in the free training. Full implementation of an automated purchase order request and approval process would increase the efficiency of the purchasing process.

CLSD's purchasing process starts with the originator of the purchase typing up a requisition and purchase order for approval by the principal or department supervisor. The building or department secretary forwards the approved requisition and purchase order to the accounts clerk, who passes them on to the Superintendent and Treasurer for approval. After this approval, the purchase order is sent to the vendor.

According to SWOCA's Assistant Director, the USASweb resources offered to its member districts include on-line purchasing software. CLSD can assign building

secretaries or teachers with limited access (SWOCA will set up the controls) and set up the requisition function so that each person can submit them electronically. The accounts clerk or Treasurer can then look at all requisitions and mass convert them to purchase orders. This would eliminate much of the duplicative paperwork currently being filled out at the building level. SWOCA offers free training and support on its applications to all member districts.

According to the Superintendent and Treasurer, the most significant barrier to fully implementing USASweb is getting training for those who will be entering and approving requisition and purchase order information through the system. There may also be a need for an additional printer in order to facilitate the automated purchase order process. All employees, including the transportation and operations staff, have access to computers and all District computers have SWOCA access.

CLSD has yet to implement all of the USASweb applications available through SWOCA. The District anticipates being able to fully implement USASweb when employees have been trained to enter and process data through the system. Full implementation of USASweb would increase the efficiency of the purchasing process by eliminating duplicative data entry and paper-based processes. Once fully implemented, the Treasurer would be able to more accurately assess and track the efficiency of the entire purchasing process (see **R2.8**).

Financial implication: If CLSD were to fully implement USASweb's automated requisition and purchase order function, it would need to purchase an impact printer for the central office. Although there are a number of manufacturers from whom CLSD could choose, a review of impact printers from two manufacturers found the cost could range from \$200 to as much as \$3,000 for a high-end printer. A conservative estimate of \$1,000 will be shown as a one-time cost.

R2.15 CLSD should reconcile historical payroll records in order to verify the accuracy of the payroll system. Verifying the accuracy of past information would help CLSD to improve internal controls over the payroll function. Although no reporting errors were evident, the accountability of CLSD's current payroll function could be improved through increased internal controls.

CLSD's payroll is bi-weekly, exception-based, and all paychecks are on the same run. However, supplemental checks are paid on off weeks (i.e., if payroll is processed one week, supplemental checks will be processed the next week). During pay week, payroll is booked on Monday, entered on Tuesday, and processed on Wednesday for a Friday pay. The payroll clerk relies on the annual financial audit to check the historical accuracy of the payroll information. The Treasurer approves the Treasurer's Office staff payroll timesheets but does not review or approve the District-wide payroll.

Payroll – A Guide to Running an Efficient Department (Lambert and the Institute of Management and Administration (IOMA), 2005), states that no matter how efficient a payroll department is or how accurate it attempts to be, errors will occasionally occur on an employee's paycheck. Once payroll has been processed and checks disbursed, the payroll department must focus on the accounting side of payroll, chiefly payroll reconciliation. Because it is possible for the integrity of payroll data to be compromised, the payroll department should reconcile payroll (most practicably through a payroll reconciliation spreadsheet) on an ongoing basis. For example, current payroll should be input; added to monthly, quarterly, and YTD amounts; and then compared to expected payroll totals. Payroll managers should be able to ensure that all payroll elements are accurately accounted for, properly reported, and reconciled to the general ledger.

CLSD's payroll process allows for supervisory review and subsequent signature authorization, which reflects its policy of pre-approval for all leave use. In addition, the payroll process allows for review of accuracy and policy compliance at multiple levels, including the department level and within the Treasurer's Office (see **R2.16**). However, the District does not have a process in place for a historical review and reconciliation of payroll records. Without a review of previously approved payroll, preferably by the Treasurer, CLSD may be unaware of inaccurate entries or even deliberate misreporting which could ultimately impact its control of District finances.

R2.16 CLSD should fully implement SWOCA's HR Kiosk (Kiosk) application. In order to do so, it should work with representatives from SWOCA to ensure that all affected employees participate in the free Kiosk training. Full implementation of Kiosk would result in increased efficiency in a number of processes, most notably in the payroll exception use and approval process.

During the course of the audit the Treasurer and the Payroll clerk attended the KIOSK training offered by SWOCA and plan to begin using the system immediately.

CLSD requires pre-approval of leave use, which happens at different levels depending on the classification of the employee requesting leave. For certificated staff, leave use is approved by the building principal and Superintendent. For specialized staff, the Director of Operations and building principal approve leave forms. For cook staff, the Director of Food Service approves the leave forms. FY 2007-08 is the first year bereavement leave has been available to District employees. Bereavement leave is treated like sick leave for approval purposes.

The payroll clerk is responsible for entering specialized employees' paper-based timesheets. Information for cooks, custodians, and bus drivers is kept and entered manually by the payroll clerk. The payroll clerk keeps this information in a book,

categorized by position and employee. The District's certificated employees also provide payroll exception forms to the building secretaries who send them to the payroll clerk for entry. The payroll clerk felt that an electronic payroll system would provide much greater ease of use for all involved. In addition to being more user-friendly, automated systems generally increase accuracy and result in significant time savings for users at all levels.

According to SWOCA's Assistant Director, Kiosk is a relatively new application that is available free of charge to all SWOCA member districts. Kiosk allows a number of payroll operations (both employee and administrative) to be carried out online. By using Kiosk, employees can view their attendance records and leave balances as well as print and view W2 forms online. Kiosk also tracks each employee's individualized professional development program.

Through Kiosk, employees will also be able to request leave online, and SWOCA can set approval controls at the appropriate level for the district and employee classification (e.g., principal, assistant principal, Superintendent, or Director of Operations). Those leave requests would then be reviewed and approved online, so paper copies would not be needed. When payroll is input, approved exceptions are automatically included, so there would be no need for the payroll clerk to manually enter the information.

The Assistant Director of SWOCA felt that full implementation of Kiosk would be a time saver for CLSD and would free up a significant amount of the payroll clerk's time. Few districts have implemented Kiosk to date, but several are going through the free training offered by SWOCA.

According to the Superintendent and Treasurer, the only barrier to fully implementing Kiosk is getting training for those who will be entering and approving information in the system. The Treasurer and payroll clerk attended Kiosk training during the course of the audit.

CLSD anticipates fully implementing Kiosk when all employees are trained to enter and process data through the system. Full implementation of Kiosk would allow for increased efficiency in the payroll process through elimination of duplicative data entry and paper-based processes. Once fully implemented, the Treasurer would be able to more accurately assess and track the efficiency of the payroll process. Furthermore, implementation of a more fully-automated payroll process will enhance internal controls.

Treasurer's Office Operations

R2.17 CLSD should take steps to cross-train all Treasurer's Office employees. This would help avoid potential difficulties in the event of a long-term employee absence. To facilitate cross-training, CLSD should create a listing of procedures to be followed while completing critical functions such as payroll and accounts payable (see R2.4).

According to the Treasurer, payroll clerk, and accounts clerk, cross-training has not been implemented for Treasurer's Office employees. The accounts clerk has previous experience with payroll, although this experience is not recent and the system may be difficult to navigate without training. The payroll clerk can cover some of the duties of the accounts clerk, but this would not work over an extended period of time due to a lack of knowledge about all the job duties. The Treasurer would like to have the Treasurer's Office employees cross-trained and plans to do so; however, training had not been implemented at the time of the audit.

Cross Training – Value in Today's Environment (the Society for Human Resource Management (SHRM), 2001), states that cross-training increases employee knowledge and ability to perform different tasks by using current skills or learning new skills. Most organizations benefit from cross-training because it:

- Creates a more flexible and versatile workforce;
- Improves productivity;
- Prevents stagnation;
- Allows for effective succession planning;
- Increases retention and avoids recruiting costs; and
- Enables employees to understand organizational goals and objectives.

Without cross-training, Treasurer's Office employees will not be able to efficiently and effectively complete the duties of other employees in the event of extended absences or unplanned employee turnover.

R2.18 CLSD should review and revise, if necessary, the Board policy governing specialized staff evaluations. In addition, the Treasurer, Superintendent, and Director of Operations should ensure that the approved policy is followed by completing evaluations of staff within the required timelines. Furthermore, the Treasurer should implement a performance evaluation process which facilitates continuous improvement of all Treasurer's Office employees and functions.

According to the Treasurer, Treasurer's Office employees had not been evaluated in FY 2007-08. In addition, the Treasurer was not sure that employees had been evaluated at all under the previous Treasurer (during the past seven years). The Treasurer was unaware of

any specific evaluation form that would be used for the Treasurer's Office employees and indicated that District uses the generic evaluation form contained in Board policy.

Board policy governs the District's specialized staff review process. The policy notes that it is the Board's expectation that all employees make a constant effort toward improvement in their work. To that end, a system for fair and effective supervision and evaluation is necessary. As all Treasurer's Office employees are on continuing contact status, Board policy requires that they be evaluated once every three years, or whenever the supervisor or Superintendent deems necessary. Board policy also includes a template review form which contains 17 assessment areas and a space for the evaluator to include comments and recommendations.

Contributing to Organizational Success through Effective Performance Appraisal (SHRM, 2003), notes that it is critical that performance appraisal be viewed as a part of the larger process of performance management. Performance planning is the first step in performance management. It prescribes the criteria and expectations, and communicates them in a manner that is understood by all parties. Performance feedback is the second step in performance management. It must be a continuous activity, beginning with the performance plan and ending when appraisal is done. Development is the third step and must also be continuous, attributing performance variation to causes and taking actions to promote effectiveness. Appraisal is the last step; it determines what happened, why, and what to do about it, as well as triggering the administrative consequences established by policy. Appraisal also acts as the linkage between determining what happened the last performance period and setting expectations for the next period. It prescribes what developmental actions are needed and the strategy for increasing future employee effectiveness.

SHRM further notes that in order to develop an effective system, all parties must understand that appraisal is nested in a larger performance management system, with continuous looping from planning to measurement, feedback to development, to appraisal and back to planning. If the appraisal process is viewed in isolation, then it results in attempts to reconstruct events from during the year at the end of the year. By then, it is too late to do anything about problems and almost impossible for the parties to recall the same scenario. The mandatory prerequisites for effectiveness are: planning at the beginning of the period; continuous measurement, feedback and development throughout the period; and meaningful appraisal at the end of the period.

The Treasurer indicated that an employee evaluation process was needed, not only for compliance with Board policy, but also to communicate to the employees where they could improve professionally. In addition, the Treasurer sees employee evaluations as another means for improving the overall efficiency and effectiveness of all activities within the Treasurer's Office. Enhancing the current evaluation process through the

application of SHRM recommended practices would help ensure that Treasurer's Office employees are provided with the opportunity for ongoing, targeted improvement. In addition, continuous improvement of Treasurer's Office employees should translate into greater efficiency in all office functions, including education management information system (EMIS) reporting, payroll, and purchasing.

R2.19 CLSD should implement the performance audit recommendations contained in this and other report sections. Implementation of the performance audit recommendations would offset projected deficits and allow the District to maintain a significant positive year-end fund balance through FY 2011-12. Enhancing general operating revenue and/or identifying additional savings beyond those included in this performance audit would provide CLSD more flexibility in choosing methods to reduce its costs.

In order to address the projected deficit, CLSD must make reductions in its expenditures, generally through staff and program operation reductions. **Table 2-7** demonstrates the effect of the performance audit recommendations on the five-year financial forecast and ending fund balances, assuming that all recommendations contained in this audit are implemented. Full implementation of performance audit recommendations is projected to result in a positive fund balance in FY 2011-12 of approximately \$4.7 million.

Table 2-7: Revised Five-year Forecast (in 000s)

	Actual			Forecasted				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011- 12
Revenues:								
General Property (Real Estate)	\$3,686	\$3,739	\$4,132	\$4,178	\$4,293	\$4,293	\$4,360	\$4,426
Tangible Personal Property Tax	\$155	\$142	\$98	\$70	\$30	\$0	\$0	\$0
Income Tax	\$897	\$1,662	\$1,694	\$1,823	\$1,725	\$1,740	\$1,784	\$1,828
Unrestricted Grants-in-Aid	\$7,941	\$8,032	\$7,766	\$7,550	\$7,563	\$7,563	\$7,563	\$7,563
Restricted Grants-in-Aid	\$102	\$111	\$127	\$66	\$66	\$66	\$66	\$156
Property Tax Allocation	\$379	\$380	\$437	\$544	\$555	\$586	\$598	\$607
All Other Operating Revenue	\$156	\$177	\$175	\$192	\$206	\$202	\$207	\$213
Total Revenue	\$13,314	\$14,243	\$14,429	\$14,423	\$14,440	\$14,451	\$14,577	\$14,793
Other Financing Sources:								
Advances-In	\$0	\$0	\$0	\$13	\$0	\$0	\$0	\$0
All Other Financial Sources	\$69	\$0	\$1	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$69	\$0	\$1	\$13	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$13,383	\$14,243	\$14,430	\$14,436	\$14,440	\$14,451	\$14,577	\$14,793
Expenditures:								
Personnel Services	\$8,123	\$8,760	\$8,766	\$8,510	\$8,532	\$8,766	\$9,183	\$9,619
Employees' Retirement/Insurance Benefits	\$3,166	\$3,322	\$3,344	\$3,359	\$3,310	\$3,533	\$3,798	\$4,083
Purchased Services	\$1,209	\$1,425	\$1,518	\$1,700	\$1,900	\$1,450	\$1,600	\$1,676
Supplies and Materials	\$263	\$461	\$410	\$380	\$445	\$456	\$477	\$500
Capital Outlay	\$12	\$56	\$39	\$38	\$30	\$30	\$31	\$33
Debt Service: ¹	\$173	\$213	\$210	\$206	\$0	\$0	\$0	\$0
Other Objects	\$214	\$288	\$229	\$234	\$217	\$217	\$227	\$238
Total Expenditures	\$13,160	\$14,524	\$14,516	\$14,426	\$14,434	\$14,452	\$15,317	\$16,149
Other Financing Uses:								
Advances – Out	\$0	\$2	\$13	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$0	\$2	\$13	\$0	\$0	\$0	\$0	\$0
Total Expenditure and Other Financing Uses	\$13,160	\$14,525	\$14,530	\$14,426	\$14,434	\$14,452	\$15,317	\$16,149
<i>Performance Audit Recommendations</i>	N/A	N/A	N/A	N/A	\$1,167	\$1,198	\$1,244	\$1,292
Result of Operations (Net)	\$223	(\$282)	(\$99)	\$10	\$1,173	\$1,196	\$504	(\$65)
Beginning Cash Balance	\$150	\$373	\$91	(\$8)	\$2	\$1,175	\$2,371	\$2,874
Ending Cash Balance	\$373	\$91	(\$8)	\$2	\$1,175	\$2,371	\$2,874	\$2,810
Outstanding Encumbrances	\$490	\$435	\$544	\$452	\$0	\$0	\$0	\$0
Fund Balance June 30 for Certification of Appropriations	(\$117)	(\$344)	(\$552)	(\$451)	\$1,175	\$2,371	\$2,874	\$2,810
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	(\$117)	(\$344)	(\$552)	(\$451)	\$1,175	\$2,371	\$2,874	\$2,810
Unreserved Fund Balance June 30	(\$117)	(\$344)	(\$552)	(\$451)	\$1,175	\$2,371	\$2,874	\$2,810

Source: CLSD and AOS

Note: Totals may vary due to rounding.

¹ Debt Service includes: Debt Service: All Principal (Historical) and Debt Service: Interest and Fiscal Charges.

Table 2-8 summarizes the performance audit recommendations reflected in the revised five-year forecast. Recommendations are divided into two categories, those requiring negotiation and those not subject to negotiation. With the implementation of these recommendations, it is projected that CLSD could maintain a positive fund balance through FY 2011-12. During the course of the audit, the District made reductions in staffing which were included in its FY 2007-08 May five-year forecast. The financial implications presented in **Table 2-8** have been adjusted to reflect these reductions (see table footnotes).

Table 2-8: Summary of Performance Audit Recommendations (in 000s)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Recommendations Not Subject to Negotiations				
R3.1 Reduce 2.0 site-based administrator FTEs	\$122	\$122	\$122	\$122
R3.2 Reduce 6.0 regular education teacher FTEs ¹	\$225	\$231	\$241	\$252
R3.3 Reduce 7.0 education service personnel FTEs	\$349	\$358	\$374	\$391
R3.4 Reduce 3.0 office / clerical FTEs ²	\$70	\$71	\$75	\$78
R3.8 Eliminate the retirement benefit pick-up for eight administrators	\$33	\$33	\$33	\$33
R3.9 Reduce substitute costs by reducing employee sick leave	\$10	\$10	\$10	\$10
R4.3 Reduce 2.0 custodial FTEs	\$86	\$88	\$92	\$96
R5.1 Reduce 5 buses	\$248	\$258	\$268	\$279
R5.2 Reduce by half the cost of the special needs van through partnering with neighboring districts	\$14	\$15	\$15	\$16
Subtotal Not Subject to Negotiations	\$1,157	\$1,186	\$1,230	\$1,277
Recommendations Subject to Negotiations				
R3.10 Increase employee health insurance single coverage to 10 percent	\$12	\$13	\$15	\$16
Subtotal Subject to Negotiations	\$12	\$13	\$15	\$16
Total Savings Without Implementation Costs	\$1,169	\$1,199	\$1,245	\$1,293
Recommendation Implementation Costs				
R2.14 Purchase a PO printer (one-time cost)	\$1	\$0	\$0	\$0
R4.2 Purchase a work order system	\$1	\$1	\$1	\$1
Total Implementation Costs	\$2	\$1	\$1	\$1
Total Cost Savings from Performance Audit Recommendations Less Implementation Costs	\$1,167	\$1,198	\$1,244	\$1,292

Source: AOS Performance Audit Recommendations

Note: Totals may vary due to rounding.

¹ During the course of the audit, CLSD reduced 1.5 regular education teacher FTEs. As a result, the original **human resources** financial implication for a reduction of 6.0 regular education teacher FTEs was adjusted to reflect the reduction of only 4.5 regular education teacher FTEs.

² During the course of the audit, CLSD reduced 1 office / clerical FTE. As a result, the original **human resources** financial implication for a reduction of 3 office / clerical FTEs was adjusted to reflect the reduction of only 2 office / clerical FTEs.

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Human Resources

Background

This section of the performance audit focuses on the human resource functions of the Carlisle Local School District (CLSD or the District). Operations were evaluated against recommended practices, industry standards, and the average of the 10 peer districts¹ for the purpose of developing recommendations to improve efficiency and business practices. Recommendations also identify potential cost savings to assist the District in its efforts to address projected deficits. Recommended practices and industry standards were drawn from various sources including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the Kaiser Family Foundation (Kaiser), the State Employment Relations Board (SERB), the National School Boards Association (NSBA), and the Ohio Department of Administrative Services (DAS).

Organizational Structure

CLSD does not have a separate department or position specifically dedicated to performing human resource functions. Individuals responsible for human resource functions include a variety of administrators and support staff within the District. The Superintendent is primarily responsible for supervising the District's overall operations and its certificated employees, including teachers, professional staff, principals, and assistant principals. Financial management for the District (including budgeting for employee compensation and administering payroll and insurance benefits) are the responsibility of the Treasurer and the four clerical employees within the Treasurer's Office. The Director of Operations supervises and manages CLSD's specialized staff, which includes custodians, maintenance workers, transportation personnel, and food service personnel.

CLSD has experienced recent employee turnover and internal structural changes within its administration. The Treasurer began employment with the District in October 2007. The Board of Education (the Board) placed its previous Superintendent on administrative leave in February 2008, transferring the duties and responsibilities to the Assistant Superintendent. Since that time, the District decided not to fill the position of assistant superintendent and reallocated the Assistant's prior responsibilities among the other administrative staff.

In addition to the administrative changes, there has been significant turnover in the District's Board of Education. Four of the five Board members were new to the District in the second half of FY 2007-08. Even with these significant changes in key personnel, administrators and Board

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

members indicated that communication has been very good and feel the District is actively examining additional methods of improving communication.

CLSD communicates effectively with its employees. According to the building principals and new Board members, the Treasurer and Superintendent have been regularly providing information and making themselves available to answer questions or provide assistance. Building level communication is maintained through monthly staff meetings and weekly bulletins. CLSD conducts staff surveys on a building and department level to gather feedback and suggestions for possible improvement (see **noteworthy accomplishment** in the **executive summary**).

Although the district keeps parents and the community up-to-date on school activities through its monthly newsletter, *The Carlisle Connection*, it could expand its communication efforts with parents and the community. Additional outreach could be implemented by including community stakeholders in its Budget Committee (see **R2.9** in **financial systems**), holding quarterly community forums to discuss District-related topics (see **R2.11** in **financial systems**), and updating its web site to include administrative and financial information (see **R2.12** in **financial systems**).

Staffing

Table 3-1 illustrates the full-time equivalent (FTE) staffing levels at CLSD and the average of the peer districts as reported to the Ohio Department of Education (ODE) through the Education Management Information System (EMIS). Peer data is from FY 2006-07 while CLSD's data is from FY 2007-08 and reflects updated staffing levels at the time of this assessment.² The FTEs in **Table 3-1** have been presented on a per 1,000 student basis because staffing levels are partially dependent on the number of students served. Presenting staffing data in this manner reduces variances attributable to the size of the peer districts. CLSD is compared to Type 6 (urban/suburban, high median income) peers based on its ODE classification. At the District's request, comparisons to Type 3 (rural to small town, moderate to high median income) peers were also included in this table.

² CLSD staffing numbers used in this assessment were current as of February 15, 2008. Any changes made after this date are not accounted for in this assessment.

Table 3-1: CLSD Staffing Comparison (FTEs¹ per 1,000 Students)

	CLSD	Type 6 ⁴ Peer Average	Difference	Type 3 ⁴ Peer Average	Difference
Students²	1,668	3,969	(2,301)	1,091	597
Administrators	7.4	5.1	2.3	7.06	0.32
Educational Staff	67.6	64.0	3.6	68.68	(1.10)
Professional Staff	1.2	1.9	(0.7)	1.01	0.19
Technical Staff	1.8	2.3	(0.5)	3.55	(1.75)
Office / Clerical Staff ³	8.7	12.2	(3.5)	11.95	(3.26)
Maintenance Workers	2.4	1.7	0.7	0.91	1.49
Custodians/Groundskeepers	7.2	6.6	0.6	6.53	0.67
Bus Drivers	7.2	8.7	(1.5)	9.84	(2.66)
Food Service Workers	8.9	6.5	2.4	6.93	1.93
All Other Reported Personnel	11.7	4.6	7.2	2.07	9.66
Total FTE Reported	124.4	113.6	10.5	118.54	5.47

Source: CLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE. CLSD data was verified and updated with District adjustments.

Note: Totals may vary due to rounding

¹ According to ODE's 2008 EMIS instructions for reporting staff data, 1.00 FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

² Reflects students receiving educational services from the district and excludes the percent of time students are receiving educational services outside of the district.

³ This category includes the position of teaching aides. Because CLSD does not report teaching aides in this category it appears below the peer average. In a detailed comparison of this category, CLSD was slightly above the peer average (see **R3.4**) when excluding teaching aides and including only the office clerical employees, such as secretaries.

⁴ Type 6 and Type 3 refer to the school district demographic analysis by the Ohio Department of Education. According to ODE, CLSD is a Type 6 and was compared to high performing low cost districts of this type for the purposes of this audit. Type 3 data was also included at the request of the District but this information was not used for comparison purposes in the audit.

In addition to peer district comparisons on a per 1,000 student basis, CLSD's staffing levels were compared to State minimums, recommended practices, and national standards in the areas where additional criteria were available. **Table 3-2** illustrates these comparisons.

Table 3-2: CLSD FY 2007-08 Staffing Comparison

Certificated Personnel FTEs	CLSD	State Minimum¹	Difference
Regular Teachers	75.0	57.4	17.6
Educational Service Personnel	19.0	7.2	11.8
Special Education Teachers ²	12.7	13.5	(0.8)
Principals/Assistant Principals ³	6.0	4.0	2.0
Specialized Personnel FTEs			
Specialized Personnel FTEs	CLSD	Recommended Practice⁴	Difference
Maintenance Workers ⁵	1.0	2.9	(1.9)
Groundskeeper	1.5	1.7	(0.2)
Custodians	12.0	8.9	3.1
Bus Drivers	11.9	9.4	2.5
Food Service Labor Hrs			
Food Service Labor Hrs	CLSD Labor Hrs	National Standard⁶	Difference
Carlisle Intermediate School	15.3	18.00	(2.7)

Source: CLSD FY 2007-08 staffing levels, State minimum ratios, and industry standards.

¹ As required by the ORC and OAC staffing ratios.

² Does not include speech and language

³ OAC does not require assistant principals

⁴ AS&U Maintenance and Operations Cost Study recommended maintenance and groundskeeper FTEs per square foot, National Center for Education Statistics custodian FTEs per square foot, and the American Association of School Administrators' riders per bus.

⁵ Total does not include bus/vehicle mechanics.

⁶ National Food Service Management Institute's recommended meals produced per labor hour worked

Staffing classifications where potential reductions exist include administrators, regular teachers, Educational Service Personnel (ESP), clerical personnel, and food service staff. These areas are examined in greater detail within this section of the report (see **R3.1** through **R3.5**). A detailed analysis of maintenance workers, custodians, and groundskeepers was conducted in the **facilities** section and captures the specific industry benchmarks and workload measures unique to these functional areas. Lastly, an analysis of recommended riders per bus (see **transportation**) provides a benchmark for the optimal number of bus routes and drivers for the District.

Compensation

After lengthy negotiations with the teachers' bargaining unit, ending in November 2007, CLSD negotiated wage increases for FY 2007-08 and FY 2008-09 of 1.5 percent and 2.0 percent, respectively, for all employees (including certificated, specialized, and administrative). These wage increases were contingent upon negotiated increases in employee co-payments/co-insurance for medical insurance.

Because employee compensation can be impacted by factors outside management's direct control, such as geographic location and surrounding district competition, AOS compared CLSD's average salaries to a select group of school districts, referred to as the surrounding districts.³ **Table 3-3** compares CLSD salaries by EMIS classification to the surrounding district average. These salaries include CLSD's 1.5 percent increase for FY 2007-08. Salaries displayed for CLSD and surrounding district average do not include retirement contribution or benefit costs paid by the Board.

Table 3-3: CLSD and Surrounding District FY 2007-08 Average Salaries

	CLSD	Surrounding District Average	% Difference
Administrators	\$67,520	\$77,400	(12.8%)
Educational Staff	\$52,699	\$53,225	(1.0%)
Professional Staff	\$54,889	\$58,813	(6.7%)
Technical Staff	\$22,795	\$28,500	(20.0%)
Office / Clerical Staff	\$28,627	\$23,844	20.1%
Maintenance Workers	\$43,021	\$39,575	8.7%
Operative	\$16,687	\$17,797	(6.2%)
Service Worker	\$16,752	\$20,560	(18.5%)
Total Average Reported Salary	\$40,771	\$43,419	(6.1%)

Source: CLSD and peer FY 2007-08 average salaries as reported to ODE.

Note: Total Average Reported Salary is calculated using total salaries and FTEs reported in EMIS and therefore is not the average of each staffing category.

As illustrated in **Table 3-3**, CLSD's average salary falls below the surrounding district average in all categories except office/clerical and maintenance staff. While CLSD's administrative salaries are below the peers, 10 of the District's 12.3 FTE administrators receive a retirement benefit in addition to regular compensation (see **R3.8**). This additional benefit amount is not reflected in the average salaries illustrated in **Table 3-3**. CLSD's average FY 2007-08 reported salaries for office/clerical staff and maintenance staff was 20.1 percent and 8.7 percent above the surrounding district average, respectively. In addition to annual wage increases, salary schedules for individual positions include step increases for employees at certain years of employment.

CLSD's specialized salary schedules include step increases each year for the first five years of employment. After step 5, employees receive step increases at 15, 20 and 25 years. While CLSD's maintenance employees' salaries are slightly above the surrounding district average, an examination of the structure of the maintenance workers' schedule indicated CLSD was comparable to neighboring districts. However, CLSD's clerical employees' salaries are above the surrounding district average each year in the schedule (see **R3.7**).

³ The surrounding districts used in the salary comparisons include Franklin CSD (Warren County), Madison LSD and Middletown CSD (Butler County), and Miamisburg CSD and Valley View LSD (Montgomery County).

Employee Benefits

CLSD is one of over 125 school districts in Southwest Ohio that are members of the Southwestern Ohio Educational Purchasing Council (EPC). The EPC is funded by membership fees, interest earnings on reserves, and some special program fees. The EPC uses the purchasing power of its member districts to obtain competitive prices for products used by its members. In addition, the EPC's competitive bidding process produces lower prices and saves districts the time and expense of implementing their own bidding processes. CLSD obtains medical insurance through the EPC's competitive bidding process.

CLSD's health plan is with Anthem Blue Access Preferred Provider Organization (PPO), and employees can choose from single or family coverage. The Board pays 95 percent of the single plan premium and 90 percent of the family plan premium. Employee payroll deductions account for the remaining portions not covered by the Board. **Table 3-4** compares CLSD's FY 2007-08 insurance premiums to industry benchmarks from the Kaiser Family Foundation (Kaiser) and the State Employment Relations Board (SERB).

Table 3-4: FY 2007-08 CLSD Insurance Premium Rate Comparison

	CLSD	Kaiser PPO	% Difference	SERB PPO	% Difference	SERB - # of Covered Employees ¹	% Difference
Single	\$548.04	\$409.55	33.8%	\$427.77	28.1%	\$472.68	15.9%
Family	\$1,061.26	\$1,100.26	(3.5%)	\$1,126.32	(5.8%)	\$1,190.58	(10.9%)

Source: FY 2007-08 CLSD actual premium rates and SERB and Kaiser estimates for averages monthly premiums.

Note: CLSD's premiums include medical and prescription drug premiums.

¹ SERB's average monthly premium estimate based on those districts covering 150 -249 employees

While CLSD's medical premiums for family coverage are below the industry benchmarks illustrated in **Table 3-4**, its single rates exceed the benchmarks. Of the District's 163 employees with medical coverage in FY 2007-08, 36 (22 percent) have single coverage, while the remaining 127 (78 percent) have family coverage. While increasing the single coverage contribution to the level of the District's family contribution will not yield significant cost savings, it would provide fair and consistent treatment to all employees participating in the District's medical insurance benefit (see **R3.10**).

Negotiated Agreement

CLSD's certificated employees are covered under a collective bargaining agreement. The Master Contract (the Contract) between the Carlisle Teacher Association and Carlisle Local Board of Education includes all certificated employees and is a two year contract in effect through June 30, 2009. Because of difficulties during the District's previous negotiations, the Contract was not ratified until November 2007. Therefore, the District operated under an expired contract for the first part of the school year. Employee salaries were not increased (1.5 percent) until after the

negotiations were complete. As part of the performance audit, certain contractual issues were assessed and compared to the Ohio Revised Code (ORC), recommend practices, and typical provisions in Ohio school district bargaining agreements (see **R3.10**).

While the specialized (classified) employees do not operate under a bargaining agreement, they receive the same benefits as teachers regarding contracted issues (including salary increases and medical coverage). These employees include clerical, custodial, transportation, food service, maintenance, and educational aides. Policies that guide the day to day actions of CLSD's specialized employees – including a grievances process, employee leave usage, vacation, holidays, time schedules, severance pay, medical insurance, and payroll deductions for specialized staff – are outlined in CLSD's Board Policy Manual. Although it is not in a collective bargaining agreement, policies and provisions for specialized staff were compared to ORC regulations, recommend practices, and typical provisions in Ohio school district bargaining agreements (see **R3.11**).

Audit Objectives for the Human Resources Section

The following is a list of the questions used to evaluate the HR functions at CLSD:

- Is the District's allocation of personnel efficient and effective?
- Is the District's compensation package in line with other high performing districts, surrounding districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in line with peers and recommended practices?
- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?
- Does the Board operate in an effective manner?
- Does District effectively balance staffing and in-house programs with other available resources for its specialized programs?

Recommendations

Staffing

R3.1 CLSD should consider eliminating 2 FTE administrative positions to achieve a staffing level more comparable to the peer average. This can be accomplished by re-evaluating and re-allocating the duties of current administrative positions. Reductions in personnel will reduce salary and benefit costs and help to alleviate the projected deficit in the General Fund.

Table 3-5 provides a staffing comparison between CLSD and the peer average administrative FTEs. The comparison is presented on a per 1,000 student basis.

Table 3-5: CLSD and Peer Administrative Staffing Comparison

	CLSD	Peer Average	Difference
Number of Students ¹	1,668	3,969	(2,301)
Total Administrators	12.3	19.9	(7.6)
Total Administrators per 1,000 Students	7.4	5.1	2.3
Total Administrators Above Peer Average²			3.8

Source: CLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE. CLSD data was verified and updated with District adjustments.

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Calculated by multiplying the difference per 1,000 students by the CLSD's number of students and then dividing by 1,000. This represents the number of reductions that would bring CLSD's administrative staff per 1,000 students in line with the peer average.

As illustrated in **Table 3-5**, CLSD employs more administrators on a per 1,000 student basis than the peers. CLSD's 12.3 administrator FTEs comprise a mixture of central and site based employees. The 6.30 central administrative FTEs⁴ include the Superintendent, Treasurer, Director of Operations, Director of Food Service, Special Education Supervisor, Technology Coordinator, and Gifted Coordinator (0.30 FTE). The District's site based administrators include 4.0 principal FTEs and 2.0 assistant principal FTEs.

Central based administrators may not be directly related to the number of students because all districts, no matter the size, typically employ a superintendent, treasurer, and, in many cases, a business manager or director of operations. Site based administrators, including principals and assistant principals, are responsible for the daily supervision of student education and building staff. For this reason, an additional comparison was made

⁴ According to CLSD, the position of assistant superintendent will not be filled. Therefore, this position was not included in the comparison of administrative staff.

excluding the central based administrators and illustrating a comparison of CLSD's site based administrators in relation to students and building employees. **Table 3-6** illustrates this comparison.

Table 3-6: CLSD and Peer Average Site Based Administrators

	CLSD	Peer Average	% Difference
Total Site Based Administrators ¹	6.0	9.9	(39.4%)
Total Site Based Staff ²	144.5	326.7	(55.8%)
Total Number of Students ³	1,667.6	3,969.0	(58.0%)
Site Based Administrators per 100 Site Based Employees	4.2	3.0	40.0%
Site Based Administrators per 1,000 Students	3.6	2.5	44.0%

Source: CLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE. CLSD data was verified and updated with District adjustments.

¹ Includes principals and assistant principal FTEs

² Reflects District employees primarily working in school buildings under the supervision of a principal/assistant principal; including educational staff, professional staff, technical staff, custodians and food service employees. Clerical employees were not included in this comparison because central and site based totals could not be determined for the peer districts. See **R3.4** for an analysis of clerical staffing.

³ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

As shown in **Table 3-6**, CLSD employs more site based administrators than the peer average in relation to both site based staff and students. OAC § 3301-33-05 requires every school to be provided the services of a principal. While it is possible to divide one principal between two schools, the OAC also requires every school with 15 or more FTE classroom teachers to be assigned the services of a full-time principal. The OAC does not stipulate the number of assistant principals for school districts and, in fact, does not require them. Because CLSD has at least 15 classroom teachers in each of its four schools, its only option to reduce site based administrators would involve its 2.0 assistant principal FTEs.

Reducing site based administrators by 2.0 FTEs would better align CLSD with the peer average of site based administrators per employee and per student. A total of 4.0 FTE site based administrators would provide CLSD with 2.8 FTEs per 100 site based employees and 2.4 FTEs per 1,000 students, slightly under the peer averages. When evaluating the option of reducing site based administrative staff (assistant principals), CLSD should also consider the impact this may have on site based clerical staff, specifically the principals' secretaries, to ensure that all responsibilities are appropriately reallocated (see **R3.4**).

Financial Implication: The elimination of 2 FTE administrators would save CLSD approximately \$122,000 in salaries and benefits in FY 2008-09. This estimate of savings

will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

- R3.2 CLSD should consider making a reduction of 6.0 FTEs in its regular education teaching staff to avoid projected deficits. With these reductions, the District would remain approximately 20 percent above State minimum requirements as set forth by OAC § 3301-35-05. If CLSD is unable to implement other cost-saving recommendations in the performance audit, it may need to move closer to State minimum teacher staffing level requirements in order to avoid future deficits. CLSD should evaluate the impact regular teaching staff reductions may have on student achievement.**

During the course of the performance audit, CLSD approved the reduction of 1.5 regular teacher FTEs for FY 2008-09 for a net savings of approximately \$73,000. This approved reduction is reflected in the District's FY 2007-08 May five-year forecast (see Table 2-1 in financial systems). Projected savings presented in financial systems are adjusted to reflect these reductions.

Table 3-7 compares CLSD's regular classroom teacher staffing levels to the peer average and State minimum standards.

Table 3-7: CLSD Regular Classroom Teacher Staffing Comparison

	CLSD	Peer Average	Difference
Regular Classroom Teachers (FTE)	75.0	179.7	(104.7)
Regular Student Population	1,436	3,524	(2,088)
Regular Students to Regular Teacher Ratio	19.1	19.6	(2.6%)
Comparison to State Minimum Requirements			FTE Teachers
Regular Classroom Teachers Employed			75.0
State Minimum Required Classroom Teachers			57.4
Teachers Above State Minimum Requirement			17.6

Source: CLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE. CLSD data was verified and updated with District adjustments.

OAC 3301-35-05 requires districts to maintain district-wide student-to-teacher ratios of at least 1 FTE classroom teacher for every 25 students in the regular student population as defined in ORC § 3317.023. Classroom teachers are licensed employees who provide direct instruction to pupils, excluding teachers funded from money paid to the district from federal sources, educational service personnel, and vocational and special education teachers. The regular student population is calculated from the average daily membership

(ADM) but does not include the time students spend in other classes such as vocational or special education.

CLSD maintains a regular student to teacher ratio slightly below the peer average, indicating that it employs more regular teachers per student when compared to the peers. Additionally, the District has 17.6 more FTEs than State minimum requirements for regular teachers. Salary and benefit savings from a reduction in regular education staffing levels would assist the District in reducing expenditures and its projected budget deficit.

Financial Implication: The elimination of 6.0 FTE regular education teaching positions could save CLSD approximately \$298,000 in salaries and benefits in FY 2008-09 while keeping the District 20 percent above the State minimum requirements. This estimate of savings will increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

- R3.3 CLSD should consider eliminating 7.0 FTE education service personnel (ESP) positions to achieve a staffing level comparable to the peer average. CLSD could make these reductions and still be 60 percent above the State minimum requirements. While such reductions may be necessary to avoid projected deficits, CLSD should evaluate the impact the reductions in ESP may have on educational services and student achievement.**

Table 3-8 compares CLSD's ESP staffing levels to the peer average and State minimum standards.

Table 3-8: CLSD and Peer ESP Staffing Comparison

	CLSD	Peer Average	Difference
Education Service Personnel (FTE) ¹	19.0	28.8	(9.8)
Regular Student Population	1,436	3,524	(2,088)
Total ESP per 1,000 Regular Students	13.2	8.1	5.1
ESP Above/(Below) Peer Districts ²			7.3
Comparison to State Minimum Requirements			
Comparison to State Minimum Requirements			FTEs
Total Education Service Personnel (ESP)			19.0
State Minimum Required ESP			7.2
ESP Above State Minimum Requirement			11.8

Source: CLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE. CLSD data was verified and updated with District adjustments.

¹ Includes total ESP teachers (K-8 art, music, and physical education), counselors, librarian / media specialist, and school nurses

² Calculated by multiplying the difference per 1,000 regular students by the district's regular student population. 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.

As illustrated in **Table 3-8**, CLSD's ESP staffing level is above the peer average and the State minimum requirement. OAC § 3301-35-05 requires that school districts employ a minimum of 5 educational service personnel for every 1,000 students in the regular student population. Additionally, these ESP teachers must be assigned to at least five of the following eight areas: counselor, library media specialist, school nurse, visiting teacher, social worker, and elementary art, music and physical education.

CLSD employs 11.8 FTEs above the State minimum requirement, based on the District's regular student population of 1,436 and the OAC's requirement for staffing levels. The forecasted operating deficit may require the District to make staffing reductions to balance its budget. Eliminating 7.0 ESP FTEs would bring the District in line with the peer average while providing a financial savings.

Financial Implication: Based on an elimination of 7.0 FTE ESP staffing positions, CLSD could save approximately \$349,000 in salaries and benefits in FY 2008-09. This estimate of savings will increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

R3.4 CLSD should consider eliminating 3.0 office/clerical FTEs. This reduction would bring the District to a level comparable to the peer average, reduce salary and benefit expenditures, and help the District avoid projected deficits.

During the course of the performance audit, CLSD approved the reduction of 1.0 office/clerical FTE for FY 2008-09 for a net savings of approximately \$24,000. This approved reduction is reflected in the District's FY 2007-08 May five-year forecast (see Table 2-1 in financial systems). Projected savings presented in the financial systems section are adjusted to reflect these reductions.

Table 3-9 compares CLSD and the peer districts' average reported clerical staff. Clerical staff includes those employees performing the duties of a clerk or secretary.

Table 3-9: CLSD and Peer District Clerical Staffing Comparison

	CLSD	Peer Average	Difference
Total Clerical Staff	14.5	27.8	(13.3)
Number of Students ¹	1,668	3,969	(2,301)
Clerical Staff per 1,000 Students	8.7	6.9	1.8
Clerical Staff Above/(Below) Peer Districts ²			3.0

Source: CLSD FY 2007-08 and peer FY 2006-07 staffing data as reported to ODE. CLSD data was verified and updated with District adjustments.

Note: Totals do not include teaching aides

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Calculated by multiplying the difference per 1,000 students by the CLSD's number of students and then dividing by 1,000. This represents the number of reductions that would bring CLSD's clerical staff per 1,000 students in line with the peer average.

According to the comparison in **Table 3-9**, CLSD employs more office/clerical FTEs on a per 1,000 student basis than the peers. In addition to supporting the secretarial needs of students, CLSD's clerical/office employees maintain employee records, assist with the administration of payroll, and are responsible for other employee-related support services. Therefore, CLSD's clerical/office staffing levels were also compared to the peer average in relation to the number of employees (excluding clerical). The results illustrates that CLSD has 13.3 employees for each clerical employee, 2.4 fewer than the peer average of 15.7 employees per clerical staff.

Both comparisons support the conclusion that CLSD employs more clerical staff than the peer average. The forecasted operating deficit may require the District to make clerical staffing reductions to balance its budget. To be in line with the peer average, the District would need to reduce clerical staff by approximately 3.0 FTEs.

Financial Implication: By eliminating 3.0 FTEs, CLSD would save approximately \$94,000 in salaries and benefits in FY 2008-09. This estimate of savings will increase if the reductions occur through retirement or voluntary separation of more experienced or higher salaried staff.

R3.5 CLSD should continually evaluate options available to decrease expenditures or increase revenues for its food service operations. These options should include evaluating staffing hours dedicated to food service operations and the cost of student lunches. Decreasing labor costs and increasing lunch prices may assist the District in achieving a positive ending fund balance in the Food Service Fund without requiring a subsidy from the General Fund.

In 2006-07, CLSD advanced approximately \$12,500 into its Food Service Fund to cover operational expenses. The District operates four kitchens, one in each school building, and prepares food through the convenience method.⁵

Table 3-10 illustrates CLSD's food service employees, labor hours, and meals served by school building in FY 2007-08.

Table 3-10: FY 2007-08 CLSD Food Service Operations by Building

School Building	Food Service Employees	Total Daily Labor Hours	Meals Served per Day ¹	Meals Per Labor Hour
Alden R Brown Elementary	2.0	9.50	187	19.6
Carlisle Intermediate Elementary	8.0	23.00	351	15.3
Chamberlain Middle School	5.0	15.50	313	20.2
Carlisle High School	5.0	19.75	375	19.0
Total	20.0	67.25	1,226	18.2

Source: CLSD

Note: Total employee count does not include the District's Director of Food Service. This position is included in the administrative staffing analysis (see **R3.1**).

¹ Meals served is calculated using data reported to ODE (including lunch, breakfast, and a la carte items) and the industry standard for calculating meal equivalents.

Meals per labor hour (MPLH) is a standard used to measure the efficiency of school districts, hospitals, restaurants, and other food service operations, and is used in many school districts to develop strategies to control food service labor costs. **Table 3-11** compares CLSD's meals produced per labor hour by the food service employees to the national standard set by the National Food Service Management Institute (NSFMI). The

⁵ Staffing guidelines differ based on the meal preparation method used by a district. Meal preparation is classified as either conventional or convenience. The convenience method uses canned vegetables and supplies from bakeries while conventionally prepared food uses fewer processed items, with more items prepared from scratch such as raw vegetables and homemade breads, and does not use disposable serving items.

national standard is the recommended MPLH based on the number of meal equivalents (breakfast, lunch, a la carte) served at each building.

Table 3-11: CLSD and National Standard MPLH Comparison

School Building	CLSD MPLH	National Standard Recommend MPLH ¹	Over (Under) National Standard
Alden R Brown Elementary	19.6	14.0	5.6
Carlisle Intermediate School	15.3	18.0	(2.7)
Chamberlain Middle School	20.2	18.0	2.2
Carlisle High School	19.0	18.0	1.0

Source: ODE and the NFSMI

¹ The national standard is based on NFSMI's recommended MPLH according to the number of meal equivalents served at each building operating a convenience system.

As illustrated in **Table 3-11**, CLSD operates above the national standard at Alden R. Brown Elementary, Chamberlain Middle School, and Carlisle High School but below the standard at Carlisle Intermediate School. Reducing labor hours at Carlisle Intermediate School would allow CLSD to operate above the national standards at each school building and reduce expenditures required for food service operations.

Increasing meals served would increase MPLH and allow Carlisle Intermediate School to operate at or above the national standard. However, when examining participation rates (meals served), CLSD was above the peer average, indicating labor hours to be the probable factor for below benchmark performance. Carlisle Intermediate School could reduce its food service labor hours by 2.0 to achieve a level of operation closer to the benchmark and continue to support its average of 351 meals served per day.

In addition to labor costs, another controllable factor in the Food Service Fund balance is meal prices for student lunches. **Table 3-12** illustrates a comparison of FY 2007-08 lunch prices at CLSD and surrounding districts.

Table 3-12: CLSD Surrounding District Lunch Prices

	Elementary/Intermediate Lunch	Middle/High School Lunch
CLSD	\$2.15	\$2.25
Middletown CSD	\$2.00	\$2.25
Franklin CSD	\$2.00	\$2.00
Valley View LSD	\$2.00	\$2.25
Madison LSD	\$2.25	\$2.25
Miamisburg LSD	\$1.95	\$1.95
Surrounding District Average	\$2.04	\$2.14

Source: CLSD and Surrounding Districts FY 2007-08 lunch prices.

Although CLSD's lunch prices are slightly above the surrounding district average, the District should continually evaluate price increases as an additional option for achieving a positive ending balance in its Food Service Fund.

Financial Implication: Decreasing staffing by 2.7 hours and increasing lunch prices by \$0.05 would enable CLSD increase Food Service Fund ending balance by approximately \$9,000 and help the District avoid a General Fund subsidy in FY 2008-09.

R3.6 CLSD should develop a formal staffing plan to address current and future staffing needs, similar to the plans used by leading school districts. Establishing staffing allocations for administrative, certificated, and specialized personnel will assist the District in proactively planning for the future. Additionally, the development of a formal staffing plan will help CLSD ensure that it is in compliance with State and federal requirements. Likewise, the plan should illustrate how staffing and related costs impact the District's financial condition and overall mission and goals.

CLSD does not use a formal staffing plan when determining future employment levels or evaluating its current workforce. Instead, certificated staffing is determined by CLSD's administration based on enrollment, class limits within the Teacher's Master Contract, and principals' input. For specialized employees, the Superintendent discusses changes with the Director of Operations to determine if moves, replacements, or reductions are needed in any area. Additionally, employees are asked to complete an Intent Questionnaire each year and return it to the Superintendent's Office by February. This form allows employees to notify CLSD of any changes they anticipate in their employment for the upcoming year (e.g., retirement or voluntary separation).

CLSD's administration realizes that staffing reductions could have been made in the past through attrition in an attempt to avoid financial concerns in the District. However, because reductions were not absolutely urgent and the District had the funds to continue employment levels, they did not take place.

Strategic Staffing Plans (Society for Human Resources Management's (SHRM), June 2002) notes that high performing organizations use plans and 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. SHRM elaborated on the effect of strategic staffing plans on organizations in *Staffing Strategy Over the Business Cycle* (June 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 to be proactive in addressing human capital needs and better meet the constraints of their operating environments.

Tulsa Public Schools (TPS) in Tulsa, Oklahoma has established a recognized best 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 a minimum target meals per labor hour calculation established by the District. 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 with staffing requirements in an efficient manner to best meet the needs of the District. Additionally, some Ohio schools have 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 using an assortment of variables and formulas.

CLSD has not developed a formal staffing plan. However, the District does use an Intent Questionnaire in an attempt to predict and plan for future staffing needs. While this is recognized as a sound practice (see **noteworthy accomplishment** in **executive summary**), CLSD does not have a formal plan in place that incorporates workload measures and industry benchmarks. Instead, staffing levels are discussed and reallocated as financial concerns arise, which sometimes has proven to be too late to generate the needed financial relief for the District.

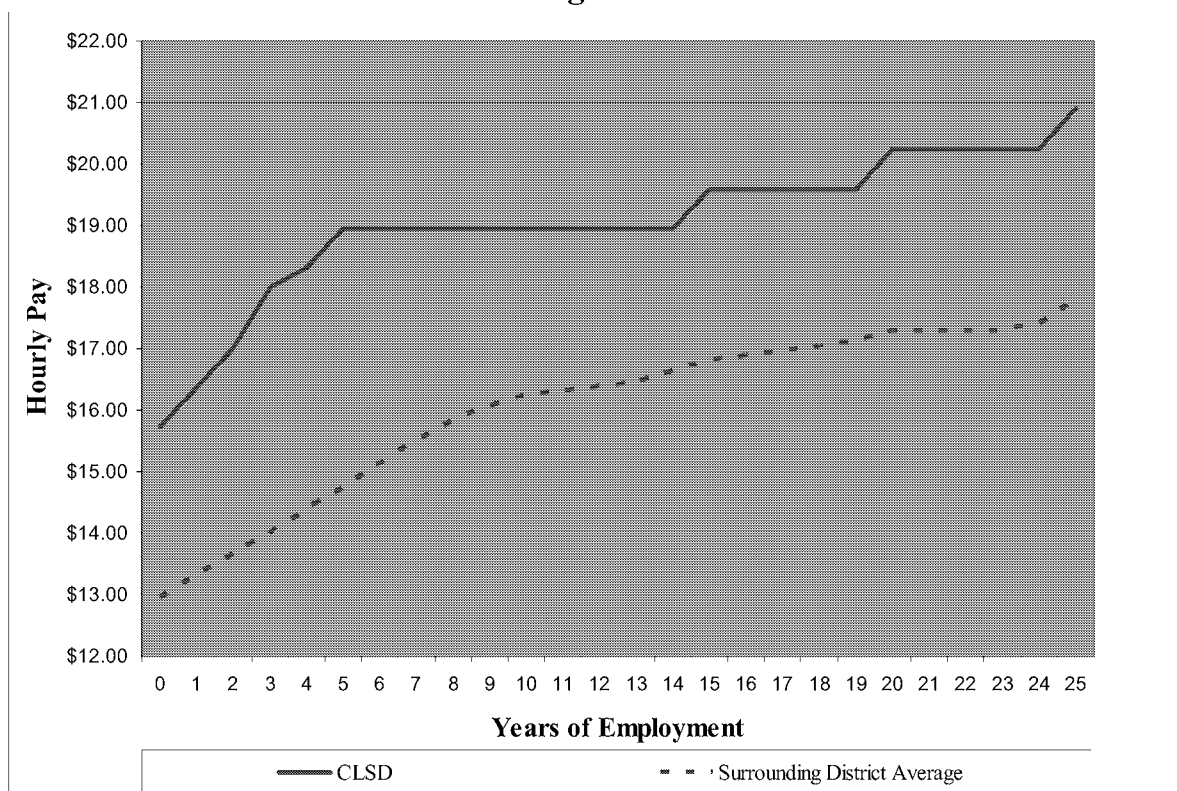
In FY 2006-07, CLSD allocated 83.4 percent of its General Fund expenditures to employee salaries and benefits. Because the majority of expenditures are allocated to personal services, the District should be continuously aware of any changes that could affect staffing levels. Without a formal staffing plan that incorporates District benchmarks, such as student-to-teacher ratios and enrollment projections, CLSD may not use the most effective method to plan for future staffing adjustments, financial constraints, or State and federal requirements. Development of a formal staffing plan, followed by annual reviews and updates of the plan, will help ensure that CLSD allocates personnel in an appropriate and cost effective manner.

Compensation

R3.7 In addition to examining and planning for the financial effects of annual negotiated wage increases (see R2.1 in financial systems), CLSD should consider negotiating a lower base rate for future clerical staff. With experienced clerical employees moving toward retirement, CLSD has the opportunity to decrease the average salary expenditures for clerical employees by lowering the base rate to a level comparable to surrounding districts.

CLSD's average FY 2007-08 reported salaries for clerical / office staff was 20.1 percent above the surrounding district average (see **Table 3-3**). Additionally, 5 of the District's clerical employees have been employed at CLSD for at least 20 years and are compensated at the high end of the pay scale. To mitigate the effect of these higher salaries, the structure of CLSD's FY 2007-08 clerical employee salary schedule was compared to the surrounding district average. **Chart 3-1** illustrates this comparison.

Chart 3-1: CLSD and Surrounding District FY 2007-08 Clerical Salaries



Source: CLSD and Surrounding District FY 2007-08 clerical salary schedules. Miamisburg CSD was excluded in the average because its data was deemed unreliable.

Note: The schedules used in the comparison represent CLSD and the surrounding districts’ highest paid clerical position (superintendent/treasurer staff and other central office staff). When comparing other clerical schedules to the surrounding districts, variances were similar.

As illustrated in **Chart 3-1**, CLSD’s beginning clerical pay rate is above the surrounding district average. While CLSD employees do not receive step increases between years 5 and 15, they continue to earn higher wages than the surrounding district average at every year of employment due to the significantly higher starting salary.

CLSD’s average clerical salaries are above the surrounding district average because of the higher beginning pay and structure of the salary schedules for this classification of employees. As its clerical employees leave the District, CLSD should evaluate its pay rates to determine appropriate adjustments to the base rate.

R3.8 CLSD should consider discontinuing the practice of paying half of its administrators' required employee retirement contributions. This payment is a form of compensation the Board is not required by law to provide. Eliminating this benefit will reduce expenditures and may allow the District to avoid reductions in other areas.

CLSD pays all or a portion of the employee contribution to the State Teachers Retirement System (STRS) and the State Employee Retirement System (SERS) for its administrators. CLSD's Treasurer and Superintendent receive a fringe benefit pick-up (or "pick-up on the pick-up"), where the Board covers 100 percent of the required employee contribution and pays an additional 10 percent contribution of that amount into the employees' retirement. CLSD's Director of Operations, Food Service Director, building principals, and assistant principals receive a partial pick-up in which the Board pays half of the employees' required contribution.

STRS and SERS require employees to contribute 10 percent of their gross salaries and the employer's contribution is 14 percent of employee's gross salaries. Usually, the employer deducts the employee's 10 percent contribution from his or her paycheck—this is called the payroll reduction method and is usually applied before taxes. In some instances, employers may elect to pay the employee share on behalf of the employee.

Paying the employee share of retirement contributions allows some districts to control direct administrative salary costs and attract administrative personnel by offering these fringe benefits in lieu of a higher salary. However, offering this benefit to employees other than senior level administrators can be costly as it essentially increases the employee's pay by 11 percent. Since it is a common practice in Ohio, CLSD may decide to continue this fringe benefit for its senior level staff (Superintendent and Treasurer). However, the District should consider discontinuing the pick-up for its remaining administrative staff in order to reduce costs and avoid reductions in other areas mentioned in the performance audit.

Financial Implication: If CLSD eliminates the payment of half of the employee retirement contribution for the 8 administrative staff receiving this benefit, it would save approximately \$33,000 in FY 2008-09.

Benefits

R3.9 While CLSD's Bureau of Workers' Compensation (BWC) premiums are significantly below the peer average, the District could implement strategies to ensure that its group rating discount continues. Providing education to employees regarding safety issues and offering awareness of BWC's resources will help CLSD keep accidents at a minimum and improve the safety of its workplace (see R4.5 in facilities).

As a group rated employer, CLSD receives a discount on its BWC premiums, which provides a significant savings for the District. **Table 3-13** illustrates CLSD's Workers' Compensation expenditures in comparison to the peer average in FY 2006-07.

Table 3-13: FY 2006-07 Workers' Compensation Expenditures

	CLSD	Peer Average	% Difference
ADM	1,702	4,042	(57.9%)
Worker's Comp & Disab. Workers	\$17,446	\$155,556	(88.8%)
Cost per Pupil	\$10.25	\$38.48	(73.4%)

Source: CLSD and Peer FY 2006-07 4502 Reports

As illustrated in **Table 3-13**, CLSD paid significantly less than the peer average for BWC premiums in FY 2006-07. BWC's group-rating plan allows employers that are substantially similar in business type to merge their individual experiences, as if they are one large employer, for rate-calculation purposes. This allows employers to potentially achieve a lower premium rate than they could achieve on their own. Group rating and experience rating are designed as an incentive program to promote and reward safe working conditions. The employer with a better-than-average safety record (compared with expected losses) receives a credit against the base premium rate.

While BWC offers programs specifically focused on helping government entities reduce their BWC premium amounts, group rated employers (such as CLSD) are not eligible for all discount programs, including the Premium Discount Program + (PDP+). However, BWC sponsors free safety courses and informational seminars for employers. The Ohio Safety Congress and Expo is a free event for Ohio employers and employees and is designed to provide a flexible yet customized, industry-focused learning approach to promote safety in the workplace.

CLSD's participation in the group rating for Workers' Compensation produces significantly lower expenditures in this area than the peer average. However, workplace accidents can result in increases of this premium or non-renewal of the group rating. BWC's safety councils, public seminars, specialized consulting services, and online resources can assist CLSD in educating its staff about the prevention of accidents and

injuries in the workplace. Additionally, BWC safety grant programs are available to Ohio public employers that wish to purchase equipment or other materials that will reduce or eliminate injuries and illnesses associated with a particular task or operation. Finally, providing education to employees regarding safety issues can minimize accidents and injuries and improve the overall safety of the workplace.

Negotiated Agreements

R3.10 CLSD should attempt to renegotiate provisions in its collective bargaining agreement that exceed typical provisions in Ohio school district bargaining agreements and State minimums. These provisions limit CLSD's ability to control costs and successfully plan for the District's future financial needs. Successful renegotiation to limit or remove contract provisions that exceed State requirements or are contrary to recommended practices would increase CLSD's ability to reduce costs and avoid future financial deficits.

As a component of the performance audit, certain provisions within CLSD's certificated collective bargaining agreement were compared to State minimum standards and recommended practices. The following areas in CLSD's certificated contract exceeded benchmark provisions:

- **Healthcare Contributions⁶:** CLSD should renegotiate its employee health care premium contribution percentage for single coverage from 5 percent to 10 percent to be consistent with industry averages and its family contribution percentage. This would provide the District with contribution levels comparable to the SERB 2006 average by regional area (10.6 for single and 12.0 percent for family in the Dayton regional area), while still significantly below the Kaiser 2007 reported averages (16 percent for single and 28 percent for family coverage). Increasing the employee contribution percentage would allow CLSD to reduce District insurance costs, maintain a contribution percentage comparable to industry standards, and provide health coverage to all employees at a fair cost. Additionally, CLSD should attempt to renegotiate the contract language in the certificated agreement that specifically defines contribution percentages in order to provide flexibility in times of financial distress.
- **Employee Salary Increase:** CLSD's certificated bargaining agreement provides for increases in base salaries based on projected revenue increases (0.25 percent in FY 2008-09 for every \$32,000 over the projected income tax and real estate

⁶ While the Teacher's Master Contract is the only collective bargaining agreement, all employees receive the same benefit options. Therefore, if successful in negotiations, healthcare contributions should be restructured for all District employees, including specialized and administrative.

taxes combined, as projected in the District's FY 2007-08 Five-Year Forecast, or 0.125 percent for FY 2007-08, up to \$64,000). The Treasurer noted that because the District agreed to the negotiated wage increase, this clause should have been taken out of the contract. The contract was supposed to contain either one provision or the other, but not both. However, when the Board approved the contract, it did not remove the clause. ODE expects the District to receive \$62,000 less revenue from income/real estate tax than the District's forecast illustrates, so the potential salary increases may not occur. However, the District should remove this clause during the next round of negotiations. These increases are contingent upon the District's forecast and collected taxes, which are not as controllable or predictable as a standard percentage increase (see **R2.1** in **financial systems**).

- **Maximum number of sick days accrued:** CLSD's agreement allows certificated employees to accrue a maximum of 236 sick days, exceeding the State minimum requirement of 120 days. This provision represents a potential for increased financial liability when accrued leave is paid out to retiring employees.
- **Maximum sick leave payout:** Because employees are permitted to accrue sick leave in excess of State minimums, CLSD's bargaining agreements allow for a maximum sick leave payout above the State minimums. According to ORC § 124.39, when employees retire from active service with 10 or more years of service with the State, they are entitled to be paid in cash for 25 percent of the value of their accrued but unused sick leave credit, up to a maximum of 30 days. CLSD's certificated agreement allows for an additional 29 days of payout (59 days total) for employees who have accrued the maximum amount of sick leave at time of retirement.

Adjusting certain provisions can be difficult because they are specified in the contract and need to be agreed upon through negotiations with bargaining units. However, if successful, these adjustments would help CLSD reduce costs and decrease projected deficits.

Financial Implication: Increasing employee healthcare contributions for the single coverage plan from 5 percent to 10 percent would save the District approximately \$12,000 in FY 2008-09.

R3.11 While CLSD's specialized employees are not covered under a collective bargaining agreement, the District should be aware of those areas where Board Policies for specialized employees are not in line with State minimums, recommended practices and typical provisions in Ohio school district bargaining agreements. The District should consult its legal counsel to ensure it is operating in compliance with State regulations in these areas.

CLSD's specialized staff accrue sick leave and receive payout at retirement at the same rate as the certificated staff (see **R3.10**). These policies represent a potential for increased financial liability when accrued leave is paid out to retiring employees.

In addition to the sick leave and payout policies exceeding State minimums, there was one area where CLSD's policies for specialized employees did not meet State minimum requirements. According to ORC § 3319.087, all regular non-teaching school employees are entitled to the following holidays:

- **11 or 12 month employees:** New Year's day, Martin Luther King day, Memorial day, Independence day, Labor day, Thanksgiving day, and Christmas day.
- **9 or 10 month employees:** New Year's day, Martin Luther King day, Memorial day, Labor day, Thanksgiving day, and Christmas day.
- **Less than 9 month employees:** shall be entitled to a minimum of those holidays enumerated in this section which fall during the employees' time of employment.

CLSD's policies state that all specialized staff employed by the District will be granted the following holidays with pay, provided the employee worked on the work days immediately preceding and following the holidays:

- New Years Day;
- Martin Luther King Day;
- President's Day;
- Memorial Day;
- Independence Day;
- Labor Day;
- Thanksgiving Day;
- Friday after Thanksgiving;
- Christmas Eve; and
- Christmas Day.

The policy also indicates that less than 12 month employees hired prior to October 1, 2005 will have the same paid holidays except President's Day, Independence Day, and Christmas Eve and less than 12 month employees who are hired after September 30, 2005 will not receive compensation for any holidays.

To ensure its holiday policy for specialized employees is in line with State law, the District should work with its legal counsel to ensure its policies for specialized employees reflect the intent of Ohio law.

R3.12 CLSD should implement formal sick leave policies with the goal of reducing the amount of sick leave used by employees. Sick leave abuse policies should clearly define what CLSD considers a pattern of abuse and should indicate that if employees engage in pattern abuse, they may be subject to discipline. These policies will help ensure that employees are not abusing leave and should help increase productivity within the District. In addition to policy development, CLSD should consider following the American Society of Public Administration's (ASPA) suggestions for effectively managing sick leave abuse.

The Ohio Department of Administrative Services (DAS) tracks and reports average sick leave use by state employees. **Table 3-14** compares CLSD's certificated and specialized employees' sick leave usage to the DAS average for FY 2005-06.

Table 3-14: FY 2005-06 Sick Leave Use

Employees	CLSD			DAS		Difference CLSD Days Above State Average (per employee)	
	Number of Employees	Total Sick Leave (Days)	Average Leave Per Employee (Hrs)	Average Leave Per Employee (Days)	State Average (Hrs)		State Average (Days)
Certificated	131.00	1,012.5	61.6	7.7	53.7	6.7	1.0
Specialized	87.00	820.0	75.2	9.4	56.2	7.0	2.4

Source: CLSD FY 2005-06 Leave Usage Report and DAS State Averages

Note: DAS FY 2006-07 averages were not available at the time of this comparison. State averages are based on exempt and non-exempt employees respectively.

As shown in **Table 3-14**, CLSD certificated and specialized employees, on average, used more sick leave per employee than the DAS State average in FY 2005-06. An additional analysis indicated that average sick leave use by CLSD's certificated employees increased 9.4 percent per employee in FY 2006-07. While CLSD has procedures in place for requesting and using sick leave (see **R2.15** and **R2.16** in **financial systems**), there is not a formal process in place to monitor this usage.

By comparison, the State of Ohio collective bargaining agreements (2006-2009) with the State Council of Professional Educators, Ohio Education Association (SCOPE) and the Ohio Civil Service Employees Association (OCSEA), Local 11 contain provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;

- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

According to *Sick Leave Abuse: A Chronic Workplace Ill* (ASPA 2002), determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following common guidelines can be used by all employers to effectively manage sick leave.

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.
- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems.
- Learn to say “No.” Employers should not let employees get away with abusing leave policies.
- Use procedures, regulations, practices, and knowledge to benefit management as well as the employee.
- Document everything to learn from past mistakes.

Without a formal monitoring process and set definitions of abuse, employees may take advantage of sick leave and cause CLSD to experience higher than average usage. High amounts of sick leave can result in decreased productivity and inflate the costs for substitutes. Sick leave abuse is costly, both in direct and indirect costs. Such costs include; overtime pay for other employees, hiring substitutes, missed deadlines, sinking morale, and lower productivity.

Developing formal policies that communicate specific leave expectations, as well as procedures for administrators to use in monitoring sick leave use, may help to reduce cumulative leave usage by District employees. Defining patterns that are considered abuse and communicating possible disciplinary actions with employees will assist the District in this endeavor.

Financial Implication: If CLSD strengthens its sick leave policy and takes other steps to reduce its leave use to the industry averages, it could save approximately \$10,000 in annual substitute costs for its certificated staff based on the daily rate paid to substitute teachers.

Board of Education

R3.13 In addition to ensuring that its Superintendent and Treasurer receive annual evaluations, CLSD's Board should develop a method for evaluating itself. Self-evaluations could allow the Board to formally evaluate past and future goals for the District. Self-evaluations could assist the Board in improving internal communication and strengthening its governing process, ultimately improving its service to the District. In developing the evaluation tool, the Board should consider using the standards set by the National School Boards Association (NSBA).

Four of five CLSD Board members are relatively new to the District and are learning the primary responsibilities of serving as a Board member. While the Board Policy Manual states the Superintendent and Treasurer shall be evaluated annually by the Board, the Board does not have a formal procedure or policy in place to monitor its own progress and performance.

Becoming a Better Board Member (NSBA, 1996) 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 board evaluation, *Becoming a Better Board Member* provides standards that school board veterans see as essential evaluation elements and outcomes. These standards recommend that evaluations cover the entire board (not individuals) and occur on an annual basis. Each board member should complete an evaluation form independently, and the Board as a whole should compare and discuss results. The evaluation should assess both strengths and weaknesses, be based on board goals (not district goals, though they may be related), and include establishing goals and strategies for improving board performance.

With relatively new Board members and key administrators, CLSD could benefit from implementing leading practice procedures to assist in improving District operations. In addition to annually evaluating its key administrators, developing a plan to effectively measure and evaluate internal performance may allow the Board to improve service to the District. Internal issues may arise on any school board, such as personality conflicts, leadership issues and communication problems. Self-evaluations may allow the Board to discover effective ways to work together, and continually improve service to CLSD's students, staff, and community.

Specialized Instruction

R3.14 CLSD should develop a special education continuous improvement plan that outlines goals, strategies, and expected outcomes for the District's program. With a full-time Special Education Supervisor now in place, CLSD has plans to improve many areas of its program including communication, staff and parent feedback, and the overall provision of services. A formal plan with stated goals and timelines will enable the District to effectively measure performance. Additionally, this plan should be linked to CLSD's Strategic Plan (see R2.2 in financial systems) which, if implemented, will outline the overall educational and financial management goals of the District. Finally, tying this planning process to cost reduction efforts and program modifications would help CLSD implement cost saving measures in a more timely manner.

CLSD's Special Education Department (the Department) consists of 1.0 FTE Supervisor, 7.7 Special Education Teacher FTEs, 5.0 Remedial Special FTEs and 16.9 Attendant FTEs, some of whom assist handicapped children in the classroom and others who assist them on school buses. The District contracted with the Warren County ESC for a three day per week special education supervisor until FY 2007-08 when it created its own full-time supervisor position. According to the District, the position was moved in-house to improve the overall services provided to its special education students.

CLSD identified specific resources that it plans to provide to teachers, students, and parents in order to improve its special education program. The Special Education Supervisor plans to implement support groups to allow parents of special education students to share their experiences and offer assistance to others. CLSD also anticipates developing a page on its website specifically dedicated to special education. The webpage will provide parents and the community with times and locations of support groups, District contacts, and feedback opportunities, as well as program information. The Special Education Supervisor indicated that the District could greatly benefit from additional high school special education teachers once funding becomes available. With the anticipated improvements in the program, CLSD hopes to develop standardized service methods for special education and provide a uniform curriculum in its four schools. This can be accomplished by providing training to teachers on the District's goals for special education and the appropriate methods to meet these goals.

In order to ensure the District achieves goals set for the special education program, CLSD should develop a plan that includes specific targets and measurements for program performance. *Goal Setting and Performance* (General Accounting Office (GAO), 1995) identifies several critical factors for organizational goal setting and performance measurement. As leading public and private organizations focus on obtaining substantial and continuing improvements in the cost and quality of services, they set improvement

goals and targets based on a thorough understanding of their missions, customer needs, and business processes. To meet such targets, these organizations systematically measure their performance; benchmark it against best practices in industry; and use this information to guide goal-setting, managerial decision-making, resource allocation, and day to day activities. Setting goals and targets for improvement in the special education program would allow CLSD to frame its short and long-term plan for the program and measure ongoing performance.

Formally documenting program objectives and setting specified targets and timelines will provide personnel with a clear understanding of program goals and a path to improvement for the special education program. Improvement goals and targets could include:

- Specific material to be included on the District's special education website;
- Dates of implementation for beginning support groups;
- Performance goals for testing outcomes;
- Optimal staffing levels for special education in accordance with federal regulations; and
- Timelines for completion of staff trainings.

Without defined targets, CLSD may not have a clear understanding of its desired level of success for the special education program. The creation of a full-time supervisor position will allow the District to focus on improving the overall service provided to its special education students. Establishing formal targets can allow CLSD to effectively track the progress and achievement of its goal in this area of service.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report. The financial implications are divided into three groups: those that are not, and those that are subject to negotiation, and recommendations that would impact the Food Service Fund only. Implementation of those recommendations subject to negotiation requires agreement from the District's bargaining unit.

Table 3-15: Summary of Financial Implications

Recommendation Not Subject to Negotiation	Annual Cost Savings
R3.1 Reduce 2.0 site-based administrator FTEs	\$122,000
R3.2 Reduce 6.0 regular education teacher FTEs	\$298,000
R3.3 Reduce 7.0 education service personnel FTEs	\$349,000
R3.4 Reduce 3.0 office / clerical FTEs	\$94,000
R3.8 Eliminate the retirement benefit (pick-up) for 8 administrators	\$33,000
R3.9 Reduce substitute costs by reducing employee sick leave	\$10,000
Recommendation Subject to Negotiation	
R3.10 Increase employee contribution for single coverage to 10 percent	\$12,000
Food Service Recommendation	
R3.5 Reduce food service labor hours and increase lunch prices in order to decrease the required General Fund subsidy for the Food Service Fund	\$9,000
Total Financial Implication	\$927,000

Source: AOS Recommendations

Facilities

Background

The facilities section focuses on custodial, maintenance, and groundskeeping staffing; operations; expenditures; and building utilization in the Carlisle Local School District (CLSD or the District). The operations were evaluated against best practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, reduce expenditures. Throughout this section, CLSD's operations are evaluated against selected peer school districts as well as best practices and operational standards including the American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES), and the Government Finance Officers Association (GFOA).

Summary of Operations

In FY 2006-07, CLSD operated four schools: one high school (grades 9 through 12), one middle school (grades 6 through 8), one intermediate school (grades 3 through 5) and one elementary school (grades Pre-K through 2). The District also owns a bus garage, a vacant farmhouse, and two athletic buildings. All buildings are situated on a 100 acre campus. According to the Director of Operations, about 20 unused acres are leased for farming and 10 unused acres are used and maintained by a softball league.

CLSD's current configuration of classes uses approximately 75 percent of its building capacity. An enrollment report prepared by Dejong-Healy projects that the District student population will increase by 130 students by FY 2017-18, resulting in a total of 1,879 students. Based on this enrollment projection, CLSD would be using about 81 percent of its capacity, which would not merit additional building space.

In FY 2003-04, the Ohio School Facilities Commission (OSFC) completed a master plan for the District's four school buildings. The OSFC determined that all four facilities had a renovation-versus-rebuild percentage that exceeded the 66 percent required to consider renovation. The OSFC plan contained three possible options for rebuilding/renovating the four buildings, all of which would cost approximately \$51 million at the time the master plan was completed. Because OSFC will fund only about 54 percent of the construction costs, the District must first pass a bond issue of approximately \$27 million to pay its share and secure the remaining funding from the OSFC.

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

CLSD has policies and procedures that clearly address the health and safety conditions of the facilities, and all principals and teachers have security plans for each building. These plans are communicated in the form of a flip chart that all teachers have in their classrooms. The emergency flip chart consists of procedures for lockdown, tornado and fire drills, securing the building, and evacuation. These plans are practiced nine times a year as mandated by Ohio Revised Code (ORC) § 3737.73. Furthermore, to ensure student safety, CLSD has developed appropriate safety policies. The District has purchased, but not yet installed, cameras for the main entrance of the high school. The District plans to install the cameras during the summer of 2008.

Staffing

Table 4-1 presents CLSD's custodial, maintenance, and groundskeeping staffing levels on a full-time equivalent (FTE) basis. Collectively, these employees comprise the District's Maintenance and Operations Department (MOD).

Table 4-1: CLSD FY 2007-08 Staffing Levels

Classification	FTEs
Custodial	12
Maintenance	1
Grounds ¹	1.5
Total MOD Staffing	14.5

Source: CLSD MOD roster.

¹ The mechanic's helper spends half of his time in the groundskeeping function. This will change in FY 2008-09 as his time will be directed to maintenance activities (0.5 FTE) in addition to his groundskeeping duties (0.5 FTE).

CLSD's 12 FTE custodians are responsible for sweeping and mopping floors, vacuuming rooms, emptying wastebaskets, picking up trash, and dusting. The District also employs a head maintenance engineer who is responsible for maintaining the proper operation and repair of building systems, furniture, and equipment. The groundskeeper, who is assisted by the mechanic's helper, is responsible for performing all necessary grounds maintenance around the buildings, such as mowing and trimming trees and shrubs. Additional responsibilities include, maintaining and ensuring the safety of the playgrounds, preparing athletic fields for practice and games, and removing snow from parking lots and sidewalks on District grounds. The mechanic helper participates in the groundskeeping function during the summer months to help care for the District's 70 acres of land.

Key statistics related to the FY 2006-07 maintenance and operations of CLSD are presented in **Table 4-2**. Also included in **Table 4-2**, and throughout the report, are the results of the *Maintenance and Operations Cost Study* (American School & University (AS&U), 2007) and

averages based on AS&U data.² AS&U data is the result of a detailed survey of business officials at school districts across the nation that contains information on staffing levels, workloads, facility expenditures, and salaries. The report provides industry standards in the form of national medians in broad categories based on student enrollment. In addition, **Table 4-2** draws on the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003).

Table 4-2: CLSD Key Statistics and Indicators

Number of School Buildings	4
Elementary School	1
Middle School	1
Intermediate School	1
High School	1
Total Square Feet Maintained	263,732
Elementary School	64,466
Middle School	76,552
Intermediate School	43,052
High School	79,662
Square Feet Per FTE Custodial Staff Member (12 FTEs)	21,978
Elementary School (2 FTEs)	32,233
Middle School (3.5 FTEs)	21,872
Intermediate School (2.5 FTEs)	17,221
High School (4.0 FTEs)	19,916
NCES National Average	29,500
Square Feet Per FTE Maintenance Staff Member (1 FTEs)¹	263,732
Five Year Avg AS&U Annual Cost Survey National Median for Maintenance	92,000
Total Acres Maintained	70
Acres Per FTE Grounds Staff Member (1.5 FTE)	47
Five Year Avg AS&U Annual Cost Survey for Groundskeepers	42

Source: CLSD, OSFC, AS&U, and NCES.

¹ Excludes the square footage of the two athletic buildings.

Table 4-2 shows that in FY 2006-07, CLSD had higher levels of staffing than the key custodial benchmark presented. CLSD's custodians maintained 21,978 square feet per custodian, or 25.5 percent less square footage than the NCES benchmark of 29,500 square feet. In contrast, the District's one maintenance FTE maintained 263,732 square feet, 286.6 percent more than the AS&U five-year average benchmark of 92,000. For FY 2008-09, maintenance staffing levels will change, as the Director of Operations stated that District plans to shift the mechanic helper's time (0.5 FTE) to the maintenance function.

² AS&U's 32nd, 33rd, 34th, 35th, 36th Maintenance and Operations Cost Studies are included in this average.

Financial Data

Table 4-3 illustrates the District's General Fund expenditures to maintain and operate its facilities.

Table 4-3: CLSD Historical MOD Expenditures

	FY 2004-05	FY 2005-06	Percent Difference	FY 2006-07	Percent Difference
Salaries	\$528,365	\$582,776	10.3%	\$594,034	1.9%
Benefits	\$229,974	\$227,841	(0.9%)	\$240,120	5.4%
Purchased Services	\$26,734	\$35,572	33.1%	\$27,322	(23.2%)
Utilities	\$278,814	\$341,060	22.3%	\$320,756	(6.0%)
Supplies and Materials	\$52,823	\$78,540	48.7%	\$73,551	(6.4%)
Capital Outlay	\$0	\$1,264	100.0%	\$349	(72.4%)
Capital Outlay/Replacement	\$0	\$33,715	100.0%	\$0	(100.0%)
Other	\$24,716	\$26,958	9.1%	\$30,279	12.3%
Total	\$1,141,426	\$1,327,725	16.3%	\$1,286,410	(3.1%)

Source: CLSD Financial (Budwork) reports

As shown in **Table 4-3**, almost every facilities expenditure category experienced a significant increase in FY 2005-06. In response to the District's overall financial condition, coupled with some latitude in spending provided by the higher-than-average 2005-06 expenditures, CLSD was able to reduce FY 2006-07 expenditures in every category except salaries and benefits. Significant variances in salaries and benefits were the result of several factors, including increased sick leave use and the implementation of daily water testing as mandated by the EPA.

Table 4-4 compares CLSD's General Fund custodial and maintenance related expenditures on a per square foot basis to the peer average and to the AS&U national benchmarks for FY 2006-07.

Table 4-4: FY 2006-07 MOD Expenditures per Square Foot

	CLSD	Peer Average	Difference	AS&U Median	Difference
District Square Feet	263,692	570,606	(53.8%)	N/A	N/A
Personal Services/ Benefits Per Square Foot	\$3.16	\$2.83	11.6%	\$2.56	23.4%
Purchased Services (excluding utilities)	\$0.10	\$0.79	(86.8%)	\$0.01	900.0%
Utilities	\$1.22	\$1.72	(29.4%)	\$1.71	(28.7%)
Materials and Supplies	\$0.28	\$0.33	(15.2%)	\$0.30	(6.7%)
Capital Outlay	\$0.00	\$0.05	(97.3%)	\$0.02	(100.0%)
Miscellaneous	\$0.11	\$0.02	567.6%	\$0.49	(77.6%)
Total General Fund	\$4.88	\$5.74	(14.9%)	\$5.09	(4.1%)

Source: CLSD and peer district 4502 and the AS&U Annual Maintenance and Operations Cost Study five year average.

Note: Numbers may vary due to rounding.

CLSD's maintenance and operations function is cost efficient when compared to the peer districts and the AS&U median. As shown in **Table 4-4**, total maintenance and operations costs per square foot were 14.9 percent lower than the peers and 4.1 percent lower than the national median. Specifically, CLSD was lower than the peer average and the national median in every major category with the exception of personal services and purchased services. A major driver of CLSD's high personal services and benefits expenditures is the fact that it has not established staffing benchmarks for its custodial or maintenance staff (**R4.3**). In FY 2005-06, CLSD eliminated 0.5 FTE custodial positions and in FY 2006-07, it eliminated 1.0 FTE custodian. However, these reductions were not based on square footage cleaned or a similar benchmark.

Audit Objectives for the Facilities Section

The following questions were used to evaluate the facilities management performance within CLSD:

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

Recommendations

Facilities Planning

- R4.1 CLSD should develop a facilities master plan that reflects the direction of its future facility operations. In developing the plan, the District should involve school personnel, parents, students, and community members to ensure all stakeholders have input regarding facility needs and future plans. In addition, CLSD should ensure that the facilities master plan reflects current building configurations and student demographics, and includes a capital improvement plan and a formal preventive maintenance plan (see R4.2). After development, CLSD should update its facilities master plan regularly to reflect building improvements that have been made, changes in demographics, and changes to its educational programs. To ensure the master plan and the capital improvement plan remain relevant, building evaluations should be completed annually including an assessment of the District's equipment. These evaluations should be formally documented.**

CLSD does not have a comprehensive facilities master plan or a five-year capital improvement plan, nor does the District regularly evaluate the condition of its buildings. The District references its OSFC master plan which is now four years out of date.

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

Due to the financial condition of the District, CLSD has not recognized the need to create a formal facilities master plan or five-year capital improvement plan, or to regularly evaluate its buildings. However, without a comprehensive facilities master plan, the District is not able to accurately plan and prepare for long-term trends in District enrollment and financial condition. As a result, it may be allocating funds in a manner which is not conducive to effective facilities management.

R4.2 CLSD should establish a formal preventive maintenance plan that is linked to its work order system and facilities master plan (see R4.1). The District's plan should provide direction for completing specific maintenance tasks or, at a minimum, make specific reference to the manufacturer's equipment manual. CLSD should also develop prioritization guidelines based on the type of work order (i.e., emergency, routine or preventive). These guidelines should have an estimated time of completion for each of the priority levels. The prioritized list should rank health, safety, and life threatening issues as those to receive immediate attention. Having a maintenance plan that guides and documents routine and non-routine maintenance tasks will help protect the District's capital investments, reduce costs, and improve maintenance planning and budgeting.

CLSD does not have a formal preventive maintenance program. According to the District, regular preventive maintenance tasks are conducted on most facility systems, including the HVAC system. However, these tasks are not documented. The District also lacks a work order system that has the ability to track work order costs. The District relies primarily on its paper-based work order system that does not effectively track the assignment of work orders or their priority levels. As a result, maintenance and operations personnel rely on past experience and a list of preventive maintenance tasks to perform maintenance, rather than using formally tracked and documented statistics. Some principals stated that the work order system was informal and a phone call was, at times, more effective.

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), the person assigned to the job, supply and labor costs for the job, and job completion date/time. NCES continues, stating 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) maintenance, routine maintenance, preventive maintenance, and predictive maintenance.

The Offices of the Legislative Auditor of the State of Minnesota published guidelines for preventative maintenance for government buildings. The guidelines suggest the following seven best practices:

- Inventory building components and assess their conditions;
- Build the capacity for ranking maintenance projects and evaluate their costs;

- Plan strategically for preventative 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.

Lack of a formalized preventive maintenance program that is linked to a work order system makes it difficult to ensure the execution of maintenance requirements, viability of warranty claims, and whether or not issues are resolved. Furthermore, the periodic evaluation of District facilities and equipment by knowledgeable staff can ensure proper preventive maintenance measures are executed effectively.

Financial Implication: The average cost of a web-based work order system would be approximately \$1,000 per year. Also, the District's current paper-based work order could be tracked at no additional cost using an Excel spreadsheet.

Custodial & Maintenance Staffing

R4.3 CLSD should consider reducing its custodial staff by 3 FTEs and reallocating staff in order to bring the District closer to industry standards and better distribute the workload among existing employees. The District should develop a staffing benchmark for custodial, maintenance, and groundskeeping functions that mirror national benchmarks and compare staffing levels to these benchmarks on an annual basis. Furthermore, the chain of authority between the custodians, principals, and the Director of Operations should be clearly outlined and communicated. Doing so will help ensure that custodians are aware of their specific duties, resulting in enhanced efficiency.

During the course of the performance audit, CLSD approved the reduction of 2.0 custodial FTEs for FY 2008-09 for a net savings of approximately \$86,000. This approved reduction is reflected in the District's FY 2007-08 May five-year financial forecast (see Table 2-1 in financial systems). Projected savings presented in financial systems are adjusted to reflect these reductions.

As shown in **Table 4-1**, the District employs a total of 12 custodians that are responsible for sweeping and mopping floors, vacuuming rooms, emptying wastebaskets, picking up trash, and dusting. Custodians cleaned an average of 25.5 percent fewer square feet than the national average in FY 2006-07 (see **Table 4-2**). In contrast, CLSD's maintenance function is understaffed in comparison to national standards.

In order to come closer to the national benchmark, CLSD would need to reduce an additional 3.0 FTE custodians beyond the 2.0 FTE reduction already approved for FY 2008-09. Furthermore, the Director of Operations stated the 0.5 FTE mechanic helper will be shifted to the maintenance function (the other 0.5 FTE is already allocated to groundskeeping). In addition, the District is considering moving one of the eliminated custodians to the maintenance function. This would bring the District closer to the national benchmark established by the AS&U as the abovementioned reallocations increase the maintenance staffing by 1.5 FTEs. **Table 4-5** presents CLSD's FY 2006-07 workload ratios, both before and after the proposed staffing reductions and redistributions, in comparison to the AS&U benchmarks.

Table 4-5: Staffing Workload Ratio Comparison

	Current Workload	Industry Benchmark	Redistributed Workload
Sq. Ft. per Custodial FTE	22,978	29,500	29,304
Sq. Ft. per Maintenance FTE	263,732	92,000	105,492G1

Source: CLSD, NCES, and AS&U magazine.

Reallocating staff and shifting personnel to create an additional 1.5 maintenance FTE would help the District achieve optimal staffing levels. (See also **R5.3**.) However, the absence of formal preventive maintenance plans (see **R4.2**) and written custodial operating procedures and performance standards (see **R4.4**) could make setting, monitoring, and achieving targeted workload ratios difficult. Because the District's buildings are housed on a single campus, reallocating custodians among the buildings to achieve more optimal workloads would not pose a substantial challenge.

Financial Implication: By eliminating 2.0 custodial FTEs, the District would save approximately \$85,000 annually in salaries and benefits. Shifting the mechanics helper and a third custodial FTE to maintenance tasks would result in minimal cost increases for the District.

Performance Standards and Training

R4.4 CLSD should develop and implement formal performance standards that can be used to consistently evaluate the efficiency and effectiveness of the maintenance and custodial operations and to help ensure that all buildings are maintained equitably. The District should use these performance standards to communicate job expectations and to assess staff performance, which will enhance the efficiency and effectiveness of the Maintenance and Operations Department (MOD).

The Director of Operations indicated that the District does not use formal performance standards for evaluating employee performance. It conducts evaluations on custodial, maintenance, and grounds staff every third year. The District also has a policy outlining the period of time that should elapse between evaluations. However, the expectations are not clearly outlined in a formal manner for custodial and maintenance employees.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) states that to assess staff productivity and ensure that all schools are maintained equitably, a District must establish performance standards and evaluation criteria. When evaluating staff, a district must collect and maintain accurate, timely, and comprehensive data. Good decision making requires good data and documentation. Collecting the data requires effort, but it is a necessary task.

Without established standards for maintenance activities, the District does not have comprehensive guidelines for building maintenance, which may result in differing standards among buildings. In addition, the District may not be able to ensure that all schools are maintained equitably. Lastly, performance standards are used to communicate job expectations and to assess staff performance. Without written performance standards, employees could interpret expectations inconsistently and performance assessments may not be objective.

R4.5 In addition to the current annual in-service training provided by the District, CLSD should create a formal training program for new and existing employees. The District should also provide routine training 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 training programs to acquaint employees with new processes and equipment. CLSD should ensure that the completion of training is documented for all employees. Formally documenting the completion of these programs will provide evidence that all employees have received the most up-to-date training available and better ensure the effectiveness, efficiency, and safety of its staff.

According to the Director of Operations, the District has not provided new employee training because new employees are hired out of the substitute pool and have already acquired knowledge of job duties. In addition, the District has not developed a formal training program that incorporates ongoing training on standard and routine procedures or training for custodial and maintenance staff as new equipment, technology, or procedures are introduced. CLSD does ensure, however, that employees attend annual in-service safety training.

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 costs of lost work time during training, preparing staff to perform their work properly, efficiently, and safely is generally cost-effective. Documentation of ongoing training programs would allow the District to report any training events that were conducted and who completed the events. This would serve as a monitoring system to ensure that all custodial and maintenance staff members complete the required training.

Employees that are properly trained should be able to meet performance standards that result in clean, well-maintained facilities at a reasonable cost. The lack of a formal training program may prevent the District from ensuring that its staff is educated on use of the latest equipment, technology, and procedures. Furthermore, without documentation, the District may not be in a position to recall all training events that were conducted and which employees completed them. Implementing a formal training program would serve as a monitoring system to ensure that all custodial and maintenance staff complete required programs.

R4.6 CLSD should develop and implement a custodial and maintenance procedures manual, linked to performance measures, to monitor MOD efficiency. The manual should include specific cleaning procedures and should be accessible to all custodians. It also should be reviewed regularly and updated as needed. Performance evaluations, based on standards outlined in the manual, should be conducted annually to provide custodians with feedback on their performance.

The Director of Operations indicated that a formal procedures manual has not been developed for its custodial or maintenance employees. MOD employees receive job descriptions in place of a procedures manual. The custodial work areas are formally defined through the use of color coded floor plans that break the building into sections, showing the custodians the portion of the building they should clean and other duties for which they are responsible. Similarly, the maintenance engineer is not provided with a procedures manual. Rather, the head maintenance engineer completes his daily duties based on a list of preventive maintenance duties along with current maintenance tasks that arise and need completion.

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

custodial equipment. This manual details procedures, guidelines, and pointers on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Without a formal custodial and maintenance handbook that details the policies and procedures for cleaning and maintaining its facilities, CLSD increases the risk of staff inconsistency, inefficiency, and/or ineffective performance of job functions. Improved consistency, achieved through District-wide custodial and maintenance procedures, would enhance the effectiveness of custodial and maintenance personnel and reduce the costs associated with equipment and supplies.

Customer Satisfaction

R4.7 CLSD should create a formal feedback mechanism to gauge the level of satisfaction with the services of the MOD through an annual maintenance and custodial satisfaction survey. The survey should be provided to all facilities users and should be designed in a manner consistent with recommended practices like those identified in the *Planning Guide for Maintaining School Facilities* (NCES, 2003). The survey should be compiled, analyzed, and documented to facilitate monitoring of performance satisfaction over time.

The District does not regularly use surveys to gauge the perceptions of facility users regarding the facility operations. Interviews with the building principals indicated an overall satisfaction with the custodial staff but noted that the maintenance of the buildings could be completed in a more timely fashion. This may also be in part to the Districts low maintenance staffing levels.

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 type of information needed to evaluate program effectiveness. This information includes user feedback and customer satisfaction surveys. There are many ways to gather information from users/customers (i.e., the people who benefit from the maintenance and custodial activities), including collecting satisfaction surveys and convening advisory committees of stakeholders.

Without facility user surveys, the District cannot effectively pinpoint and address departmental shortcomings. Furthermore, the lack of formal feedback mechanisms may not allow the District to effectively prioritize its work to address high-risk areas, as identified by direct users. This could be completed by the District using internal resources at no additional cost.

Financial Implications Summary

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

Table 4-6: Summary of Financial Implications

Recommendation	Annual Cost	Annual Cost Savings
R4.2 Purchase work order system	\$1,000	
R4.3 Eliminate 2 FTE custodians		\$85,000
Total	\$1,000	\$85,000

Source: AOS recommendations

Transportation

Background

This section of the performance audit focuses on Carlisle Local School District's (CLSD or the District) transportation operations. Its transportation operations were evaluated against best practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources including the American Association of School Administrators, Association of School Business Officials, the Legislative Office of Education Oversight, and the National Association of State Directors of Pupil Transportation Services.

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. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their own students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. Finally, when required by an individualized education program (IEP), school districts must provide specialized door-to-door transportation to special needs students based on the unique needs of the child.

CLSD's transportation function used 15 active buses and 5 spares buses to transport 1,222 riders in FY 2006-07. Due to the lack of sidewalks and the prevalence of railroad tracks, the District exceeds State minimum transportation requirements and transports all students who request transportation, including high school students and those students who live within two miles of their assigned school buildings. The District uses a two-tiered busing system, based on a staggered bell schedule, to transport students to the four District school buildings. Bus routes are determined by the Transportation Assistant/Head Bus Driver and rarely change from year-to-year.

Organizational Structure and Responsibilities

The Director of Operations manages the Transportation Department and reports to the Superintendent. This position is charged with supervising the Transportation Assistant/Head Bus Driver, 2 mechanics, 17 full-time drivers, 3 bus aides and the substitute drivers. In addition, two

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

central office administrative assistants provide support to the Transportation Department. Submission of transportation data to the Ohio Department of Education (ODE) is a coordinated effort involving the Treasurer, Superintendent, Director of Operations, the Transportation Assistant/Head Bus Driver, and the administrative assistants.

Historical Cost Data

Table 5-1 displays CLSD's operating data for FY 2006-07 in comparison to the peer district average.

Table 5-1: Transportation Operating Statistics

	CLSD	Peer Average ¹	Percent Above (Below)
Enrollment	1,797	4,206	
• Riders as a Percentage of Total Enrollment	68.0%	63.8%	6.6%
Riders			
Public	1,222	2,666	
Non-Public	0	166	
Community School	0	15	
Special Needs	18	31	
Total Yellow Bus Riders	1,240	2,878	
Buses			
Active Buses	15	39	
Spare Buses	5	6	
• Spare Buses as a Percentage of Fleet	25.0%	13.2%	11.8%
• Riders per Active Bus	82.7	76.6	7.9%
Demographics			
Square Miles	11.3	33.9	
• Enrollment per Square Mile	158.7	142.0	11.8%
• Riders Per Square Mile	109.5	94.7	15.7%
Annual Routine Miles	103,140	418,014	
• Annual Routine Miles Per Active Bus	6,876	10,761	(36.1%)
• Daily Routine Miles per Rider	0.5	0.8	(41.3%)

Source: District and peer T-1 and T-2 reports

Note: Numbers may vary due to rounding

¹Calculations are based on the average of the peers. As a result, numbers may vary.

Table 5-1 shows that although CLSD has significantly lower enrollment and total square mileage than the peer district average, it is more densely populated, as its enrollment per square mile and riders per square mile are 11.8 percent and 15.7 percent higher than the peer average, respectively. Because of the smaller total area and higher population density, CLSD buses drive significantly fewer total miles per year, 36.1 percent fewer miles per bus than the peers. In

addition, CLSD is able to run shorter routes, with the average rider traveling 0.5 miles per day in comparison to 0.8 miles for the peer district average.

In FY 2006-07, CLSD transported approximately 83 riders per bus—7.9 percent higher than the peer district average of approximately 77 riders per bus. Districts that are able to transport high numbers of students per bus are typically able to be more flexible in transportation operations and maintain lower staffing levels and lower overall operating costs (see **R5.1**).

Table 5-2 displays transportation related expenditure data for CLSD and the peer district average.

Table 5-2: FY 2006-07 Transportation Expenditure Data

	CLSD	Peer Average	Percent Above (Below)
Total General Fund Transportation Expenditures			
• Per Rider	\$604.32	\$554.76	8.9%
• Per Active Bus	\$49,956.87	\$41,883.59	19.3%
• Per Routine Mile	\$7.27	\$3.95	84.0%
Percentage of Transportation Expenditures Reimbursed by the State	43.2%	53.4%	(10.2%)
Transportation Expenditures as Percentage of Total General Fund Expenditures	5.2%	5.4%	(0.2%)

Source: CLSD and peer district T-1 and T-2 forms

Table 5-2 shows that CLSD was higher than the peer district average in every cost ratio displayed. Although the District's higher relative population density allows buses to make shorter runs and travel fewer miles, this is not reflected in lower per rider and per active bus ratios. In FY 2006-07, CLSD's expenditures per rider and per active bus were 8.9 percent and 19.3 percent higher than the peer district average respectively. This is an indication that inefficiencies exist in the District's transportation operations (see **R5.1**).

In the area of bus security and controls over supplies, CLSD has sufficient controls in place to secure fuel, buses, and transportation supplies. For example, the fuel pump must be activated by a switch inside the bus garage. In addition, all buses are parked inside the bus lot which is locked at night, and all transportation supplies are kept locked in the bus garage.

Audit Objectives for the Transportation Section

The following questions were used to evaluate the transportation operation in CLSD:

- How do the District's transportation policies 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?
- How does the District ensure it gets the best value when purchasing transportation related items? (see **financial systems** for assessment of District-wide purchasing procedures).
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing specialized transportation service in an effective and efficient manner?

Recommendations

Operating Efficiency

R5.1 CLSD should reduce 5 buses to bring its riders per bus ratio closer to the national benchmark of 100 students per bus on a two-tiered system. Should the District elect to implement a three-tiered routing system, it should seek to eliminate 8 buses and increase its ridership to 150 students per bus. Reducing buses will result in a reduction in operating costs (e.g. bus driver salaries, maintenance, insurance). In order to maintain these ridership levels, CLSD should continually track bus capacity by completing quarterly rider counts and recalibrating routes accordingly.

Due to hazards within the District (few sidewalks and multiple railroad lines), CLSD offers transportation to all students. **Table 5-3** presents a summary of the District's enrollment and ridership since FY 2004-05.

Table 5-3: CLSD Change in Ridership and Riders per Bus

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Enrollment	1,815	1,836	1,797	1,813
Total Riders	1,184	1,150	1,240	1,123
Total Riders as % of Enrollment	65.2%	62.6%	69.0%	61.9%
Riders per Bus	74.0	71.9	82.7	70.2

Source: CLSD T-forms and ODE Enrollment Reports

As shown in **Table 5-3**, CLSD's enrollment has remained relatively steady since FY 2004-05. In this same time period, total riders decreased slightly. In FY 2006-07, CLSD reduced 1 bus, using a total of 15 routes. However, it resumed this route in FY 2007-08, once again operating with 16 buses. The changes in the number of routes increased the riders per bus ratio 15 percent to approximately 83 riders per bus in FY 2006-07 but reduced riders per bus to 70.2 in FY 2007-08.

The Transportation Department conducts rider counts during the October count week, as required by the Ohio Department of Education (ODE). T-1 Form instructions are followed as the District averages the number of students for each of the five days counted and reports the average as calculated. This is the only count completed by the District during the school year. Additional counts are not conducted to determine if any shifts in ridership have occurred which could result in some buses running at low capacity. In addition, CLSD's routes do not change substantively from year-to-year. The Director of Operations stated that major changes in routes are rarely needed due to the small geographical area of the District.

According to *Hidden Savings in Your Bus Budget*, (American Association of School Administrators (AASA), 2005) an effective pupil to bus ratio should average at least 100 pupils on a double route, two-tier bus system. CLSD's low riders per bus ratio of 70.2 (and the excess buses used in the fleet to transport students at a ridership rate below the benchmark) contributes to its high expenditures per bus as described in **Table 5-1**. CLSD could reduce operating expenditures by achieving a riders per bus ratio similar to the benchmark established by the AASA. In order to accomplish this, the District would need to reduce 5 buses, which would bring its riders per bus ratio to approximately 102.

Some districts have further reduced operating costs by using a three-tiered system, where each bus has three morning and three afternoon runs. CLSD could accomplish this by staggering bell schedules to set the high school, middle school, and elementary school start times at different intervals, allowing each bus to complete a run for each. Should CLSD elect to move to a three-tiered routing system, it could eliminate 8 buses and achieve a riders per bus ratio of approximately of 135. Moving to a three-tiered system would require the buses to travel additional miles and CLSD would experience an increase in fuel costs – and potentially maintenance costs – which would offset some of the savings.

Financial Implication: Increasing the utilization rate to a level closer to 100 riders per bus would allow the District to eliminate 5 buses and result in savings of approximately \$248,000 in FY 2008-09 based on its FY 2006-07 cost per bus. Should the District elect to achieve the AASA benchmark through the implementation of a three-tiered routing system, it could eliminate 8 buses for a potential cost savings of approximately \$346,000 in FY 2008-09.² Under to House Bill (HB) 119, funding for transportation will increase 1 percent for FY 2008-09; therefore, this reduction in service will not decrease the District's funding.

R5.2 CLSD should create and maintain a bus replacement plan to ensure proper planning and budgeting for the purchase of new buses. The bus replacement plan should include the age and mileage of every bus in the fleet and estimates of these elements at the projected replacement date for each bus. The plan should be managed by the Director of Operations and the Treasurer's Office. It should be updated on a monthly basis and evaluated annually based on all maintenance and repair costs for each bus. Developing a replacement plan containing this information should allow the District to effectively plan for the replacement of buses at the most advantageous points in their lifecycles.

² Increasing the tiers from two to three would also increase maintenance supplies, maintenance and repairs, tires and tubes, and fuel by approximately 50 percent, or \$6,200 per bus remaining. Therefore, the savings for a three-tier system would be \$49,500 per bus reduced by the aforementioned \$6,200 per bus remaining. Eight buses would be remaining with an eight bus reduction.

CLSD has not created a bus replacement plan. As a result, long-term planning for new buses does not occur. The bus fleet consists primarily of older buses (average age of 12.2 years). However, the relatively small square mileage of the District has resulted in a bus fleet with relatively low mileage. As of January 2008, CLSD's bus fleet had an average mileage of approximately 83,500 per bus.

There are no State guidelines for bus replacement based on bus age or mileage. As long as a bus can pass the annual Ohio State Highway Patrol inspection, a district may continue to use it for transportation. The National Association of State Directors of Pupil Transportation Services (NASDPTS) does offer some suggested replacement guidelines. According to the NASDPTS, buses should be replaced after 12 to 15 years of service. ODE indicates that, on average, districts are matching the payment provided by the State for bus purchasing with an equal amount of local funding. This has resulted in an average replacement age of 17 years for buses in Ohio.

Although CLSD may not have to replace any buses during the forecast period due to excessive mileage (over 250,000 miles), 13 buses will exceed the NASDPTS guidelines for bus replacement age in the last year of the District's five year financial forecast. When replacing buses, CLSD should be particularly cognizant of total maintenance and repair costs. Those buses that routinely have higher repair costs should be replaced first regardless of mileage or age. By creating and updating a replacement plan and including factors such as age, mileage, and maintenance costs per bus, CLSD could ensure that it is prepared for future capital expenditures. Without an updated bus replacement plan, the District may be unprepared for large future capital obligations and may devote additional resources to maintaining more costly buses.

R5.3 CLSD should create and maintain a formal plan that outlines preventive maintenance data for all District vehicles. In addition, CLSD should ensure that the plan tracks the costs on a per bus basis to easily identify the most costly buses to repair (see R5.2). The creation of this plan should ensure that all buses receive the periodic maintenance needed to extend their useful life.

Preventive maintenance and repair of the bus fleet and other District-owned vehicles is completed by a mechanic and a mechanic's helper. Although CLSD has not created or used a preventive maintenance plan to serve as a guide for the upkeep of the bus fleet, motor oil is checked regularly and changed every six months while other maintenance is done primarily in the summer, prior to the State inspection. Completing the bulk of the maintenance in the summer makes it easier for the mechanics to manage breakdown repairs during months when school is in session. **Table 5-4** shows CLSD's historical maintenance and repair expenditures. It should be noted that data presented in **Table 5-4** includes mechanic and mechanic's helper salaries and benefits.

Table 5-4: CLSD Historical Maintenance and Repair Expenditures

	FY 2004-05	FY 2005-06	% Difference	FY 2006-07	% Difference	3 Year % Difference
Total Maintenance & Repairs	\$88,895	\$116,892	31.5%	\$137,092	17.3%	54.2%
Per Yellow Bus Rider	\$75.08	\$101.65	35.4%	\$110.56	8.8%	47.3%
Per Active Bus	\$5,556	\$7,306	31.5%	\$9,139	25.1%	64.5%
Per Routine Mile	\$0.74	\$1.05	41.7%	\$1.33	26.7%	79.7%

Source: CLSD and peer district T-1 and T-2 reports

Table 5-4 shows that, since FY 2004-05, expenditures for maintenance and repairs have been increasing significantly. In addition, FY 2006-07 maintenance and repair costs were 38 percent higher per rider, 50 percent higher per bus, and 132 percent higher per mile when compared to the peers. As of January 2008, 57 percent of CLSD's bus fleet was more than 12 years of age. However, only one bus had mileage that exceeded 150,000. In general, districts that operate older and/or high mileage buses experience higher maintenance and repair expenditures (see R5.2).

An additional contributing factor to maintenance and repair costs is mechanics salaries. For the purpose of this analysis, mechanic and mechanic's helpers salaries were included in fleet maintenance and repair costs. In FY 2006-07, CLSD had 2 FTE mechanics (1 FTE mechanic and 1 FTE mechanic helper) conducting maintenance and repairs on the District's 20 buses and 2 vans. In this same year, the peer districts averaged approximately one mechanic for every 20.5 buses. Although this may have led to higher maintenance and repair costs in the past, the District shifted 50 percent (0.5 FTE) of the mechanic's helper's time to groundskeeping in FY 2007-08. It plans to shift the remaining 50 percent of his time (0.5 FTE) to the maintenance function in FY 2008-09 (see also **R4.3**). By doing so, the District will have a mechanic-to-bus ratio of approximately 1:23, a level more in line with the peer districts. This would also result in lower total maintenance and repair costs.

High maintenance costs are driven, in part, by the District's lack of a formal preventive maintenance plan. More non-routine repairs may be needed due to the lack of a structured preventative maintenance plan. In addition to significantly higher maintenance and repair costs, the District may not be able to identify those buses that have historically been the most costly to repair. As a result, CLSD may not make the most economical decisions when replacing its buses (see **R5.2**). The use of a preventive maintenance program will help balance the maintenance and repair of buses, enabling one mechanic to successfully complete the routine and breakdown maintenance on CLSD's fleet.

R5.4 The Board should review and update its transportation policies to ensure that they are clear, accessible, developed with community input, and reflective of the service provided. In addition, Transportation Department policies should identify who has authority to grant exceptions and describe the general process for determining if an exception should be granted.

The District should also include the fee calculation methodology for non-routine use of buses in its written procedures. The District should ensure that all costs should be covered by outside sources (e.g. the Athletic Fund) when used for non-routine transportation. The District should also formulate written policies for the transportation of its special needs students (see R5.7).

Finally, to ensure that all policies are easily accessible for employees and the community, the CLSD Board of Education (the Board) should develop a page on its web site that communicates its transportation policies, plans, and guidelines.

The Board created a section in the Board Policy Manual that addresses transportation services. The Board Policy stipulates that the Board shall furnish school bus transportation to all elementary and secondary school pupils to the extent determined by the administration and approved by the Board. The current transportation practice is to transport all students in the District; however, this is not formally documented. The Director of Operations noted that the current school policy has not changed due to a lack of sidewalks in the community and the number of railroad lines that cross the District.

Although the District has a policy on the non-routine use of buses, it does not have a policy for charging the costs related to this usage. From past practice, the cost of any athletic trip is paid by the Athletic Fund. However, if the fund cannot cover the entire cost, the balance is paid from the General Fund.

The Transportation Department also has a Bus Driver Handbook that includes the regulations and procedures for transportation personnel. These include the procedures that are to be followed by bus drivers regarding care of buses, speed limits, fueling, transporting students, route sheets, field trips, and calling off work. No policies are written for the transportation of special needs students, as these students are transported according to their IEPs.

The Director of Operations attempted to form a voluntary committee to review and update the transportation policies and routes. However, because the District shifted focus to its financial condition, a committee was never formed. As a result, the Student Transportation Section of the Board Policy Manual was last revised in July 2000.

According to *Key Legal Issues for Schools* (Association of School Business Officials (ASBO), 2006), the general operating procedures for school boards should include annual reviews of all new and revised policies to determine whether modifications should be made on the basis of implementation and experiences. ASBO further recommends that school boards consider developing policy review committees to identify issues and situations that should be considered for annual policy reviews.

OAC § 3301-83-16 prohibits school districts from charging pupils for transportation to and from regular day classes and educational field trips on school days. A fee not to exceed actual costs may be assessed for transportation to and from educational field trips on non-school days. OAC § 3301-83-16 continues, stating that the board of education shall recover an amount not to exceed the actual operational costs associated with non-routine use of school buses, with the exception of field trips that are extensions of the instructional program. These costs include the following, as reported on the T-2 reports submitted to ODE:

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

CLSD may wish to examine Lake Local School District's (Lake LSD) trip expenditure worksheet to use as a model when developing non-routine mile charging procedures. The worksheet, developed by Lake LSD, includes popular field trip destinations and the transportation costs associated with each location.

In part, the District did not update its policies and procedures as the transportation function has rarely changed. However, keeping drivers and the community informed about transportation practices through up-to-date policies helps ensure student safety and effective transportation. Also, policies that reflect the actual intent and practices of the District provide better direction to administrators and reduce the likelihood of misinterpretation or misunderstanding.

R5.5 CLSD should develop written procedures to ensure that T-form information is collected, reviewed, and reported accurately. In addition, the Director of Operations and the Treasurer should verify that all transportation expenditures reported on the T-2 form are consistent with ODE instructions and represent expenditures for the routine use of school buses. Lastly, the Treasurer and Director of Operations should attend the ODE transportation training to ensure effective formal procedures are developed.

The Director of Operations, Transportation Assistant/Head Bus Driver, administrative assistants, mechanics, and bus drivers are all involved in obtaining transportation ridership and expenditure data. The number of individuals involved in the process increases the chance that errors could occur in the recording or input of data. Moreover, the Accounts Payable Clerk noted that CLSD has no formal written guidelines for completing the T-forms, which further magnifies this risk.

According to *Student Transportation in Ohio* (Legislative Office of Education Oversight, 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. The first step in ensuring accurate data is to create and adhere to formal policies and procedures that govern the submission of district T-forms. In addition, *Internal Controls, a Guide for Managers* (Indiana University, 2004), states that internal controls employ methods to help ensure the achievement of an objective. By implementing detective internal controls, management can use these methods to detect incorrect entries of reported information. Carefully designed internal controls can help management efficiently and effectively provide a reasonable level of assurance that proper transactions are occurring.

In the absence of written procedures that identify the processes and methodology for completing T-forms and reviewing their accuracy and completeness, CLSD risks submitting erroneous or improperly derived information to ODE. This may result in the delay or omission of a portion of the District's transportation reimbursement.

R5.6 CLSD should obtain and document quotes received for commonly used items that would normally fall under the existing \$25,000³ threshold. Obtaining quotes for these items will help ensure the District receives the best available price; thereby more prudently managing taxpayer dollars.

When purchasing supplies under the revised thresholds, District could also benefit from consortium purchasing. Consortium pricing may enable the District to purchase additional items in a competitive environment.

The District does not require price quotes or competitive bidding for items costing less than \$25,000 (see **R2.8**). According to the Director of Operations, the District is in no position to seek a lower purchase price on supplies because it is behind on payments to current vendors. Without a formal bidding practice, the District may be paying higher prices on supplies and materials purchased. For example, **Table 5-4** shows that the District's maintenance and repair costs were significantly higher on a per-rider, per-active bus, and per-mile basis. Purchasing through consortiums and seeking quotes on parts and

³ The existing \$25,000 threshold is in-line with ORC § 3313.46.

supplies used for maintenance and repairs could help the District obtain better pricing on commonly used goods.

Edison Local School District (ELSD) has implemented policies requiring quotes for single purchases above \$5000 but below \$25,000, and using cooperative purchasing to obtain commonly used goods through its consortium. The policies and procedures surrounding these practices, which can be found on the District's web site, state the following:

- The Treasurer shall seek at least two (2) price quotations on purchases of more than \$5,000 for a single item, except in cases of emergency.
- The Board, encourages the administration to seek advantages in savings that may accrue to this District through joint agreements for the purchase of supplies, equipment, or services with the governing body(ies) of other governmental units.
- The Superintendent and/or Treasurer are encourage to negotiate joint purchase agreements for services, supplies, and equipment which may be determined to be required from time to time.

Implementing policies like those used at ELSD would further ensure the District is obtaining supplies and materials at a competitive price.

Special Education Transportation

R5.7 CLSD should require Transportation Department personnel to take part in the individualized education program (IEP) process to ensure the District is providing safe and efficient transportation while minimizing additional cost to the District. CLSD should also research the feasibility of using contracted services or partnering with other school districts to transport a small number of special needs students to non-district locations. If properly implemented, the District could, at a minimum, reduce the use of a van, van driver, aide and the costs associated with the operation of the van by 50 percent.

Historically, neither the Director of Operations nor any other member of the transportation staff has participated in the development of IEPs for special needs students. The Director of Operations seeks to mainstream special needs riders onto regular buses as part of his routing practices, but he has not researched the feasibility of other methods of transportation (e.g. contracting with a private transportation service or consolidating routes with neighboring districts). The District uses two vans to transport special education student to non-district locations that are a substantial distance from CLSD.

OAC § 3301-51-07 (D)(3) states that special transportation required by the child's IEP shall be provided. OAC § 3301-51-10 (C)(2) states that school district transportation personnel shall be consulted in the preparation of the IEP when transportation is required as a related service. Because school transporters are essential participants in deciding whether transportation is a related service for a particular child, the Transportation Director should have input on the feasibility of the proposed transportation type. Furthermore, all specialized transportation services must be outlined in student IEPs.

By not involving the Director of Operations in the IEP process, CLSD may missing out on opportunities for increased efficiency or cost savings in the transportation of special needs students. The involvement of the Director of Operations or other transportation staff in the IEP process can help to ensure special needs students are receiving safe but cost-effective transportation. The goal of the IEP process should be to provide transportation services that meet the needs of the student while avoiding or minimizing additional costs to the District.

Financial Implication: Reducing the expenditures associated with the use of one van by 50 percent would result in savings of approximately \$14,000 for FY 2008-09.

Financial Implications Summary

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

Table 5-5: Summary of Financial Implications

Recommendation	Annual Cost Savings
R5.1 Eliminate 5 buses ¹	\$248,000
R5.7 Reduce by half the cost of the special needs van by partnering with neighboring districts.	\$14,000
Total	\$262,000

Source: AOS recommendations

¹ Assumes reduction of buses occurs at the beginning of FY 2008-09

District Response

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

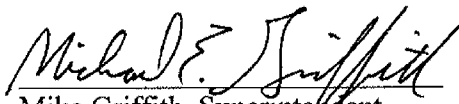
July 16, 2008


Mary Taylor, CPA
Auditor of State of Ohio
c/o Pat Brobeck
88 East Broad Street
Columbus, OH 43215

We are providing this letter in connection with the performance audit of the Carlisle Local School District. We accept the performance audit report and we want to thank your office for providing this service to school districts free of charge. We also want to let you know that we feel it is a worthwhile endeavor on the part of the Auditor's office. The savings in taxpayer dollars will more than outweigh the cost of the audit.

We enjoyed working with your performance audit team and they were very helpful in identifying areas where we can be more efficient. We have already implemented some recommendations from the audit such as reductions in staff and changing our bussing schedules to save money. We plan to use the report to make further gains in efficiency for the district in the upcoming years. Attached is a complete list of cuts that the district has made over the last year and for Fiscal Year '09.

Sincerely,


Mike Griffith, Superintendent


Tammy Lainhart, Bd. President

Carlisle Local Schools Financial Plan: Phase I

Phase I reductions will begin the 2008-2009 school year.

Position/Service	Method of Savings	Approximate Annual Savings
Technology Assistant	Cut position	\$57,000
Library Aide	Cut position	\$30,000
Study Hall Aide	Cut position	\$31,000
Secretary	Cut position	\$39,000
Assistant Superintendent	Cut position	\$135,000
Custodian	Cut 3 positions	\$128,000
Elementary Counselor	Cut position	\$56,000
Elementary Teacher	Cut position	\$66,000
Elementary Teacher (½ day of kindergarten)	Cut position	\$36,000
Insurance Consultant	Discontinued service	\$13,000
Supplementals/Extended Time	Cut positions/days	\$46,000
Busing	Three Levels	\$85,000
Copier Leases	Reduce Equipment	\$24,000
Middle School Asst. Principal	Cut position	\$82,000
Cut textbooks and library books	No new books	\$50,000
Field Trips/Report Cards	Pay to participate	\$31,000
Professional Development	Eliminate	\$10,000
TOTAL	ANNUAL SAVINGS	\$919,000