



Mary Taylor, CPA
Auditor of State

GROVEPORT MADISON
LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

DECEMBER 16, 2008



Mary Taylor, CPA Auditor of State

To the Residents and Board of Education of the Groveport Madison Local School District:

In February 2008, the Auditor of State initiated a performance audit of the Groveport Madison Local School District (GMLSD or the District) due to the District's October 2007 five-year financial forecast, which projected deficits in future years. The performance audit was conducted under provisions in House Bill 119 which provides funding for performance audits of school districts in fiscal distress. The five functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, and food service. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements and increased efficiencies in these areas can assist the District in maintaining a positive financial condition in the future.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of GMLSD's financial situation and a framework for maintaining fiscal solvency and avoiding fiscal oversight by the State. While the recommendations contained in the audit report are resources intended to assist the District in stabilizing its financial situation, District leaders are also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

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

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

Sincerely,

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

Mary Taylor, CPA
Auditor of State

December 16, 2008

Executive Summary

Project History

In accordance with House Bill 119, the Auditor of State (AOS) conducted a performance audit of the Groveport Madison Local School District (GMLSD or the District) to identify programs or areas of operation in which it believes greater operational efficiency, effectiveness, or accountability may be achieved. In February 2008, AOS initiated the performance audit due to the District's October 2007 five-year forecast, which projected a negative ending fund balance beginning in Fiscal Year (FY) 2009-10 of \$1.3 million. Because the District's new Treasurer did not prepare this forecast and could not explain the assumptions, the methodology for the District's October five-year forecast could not be assessed as part of the performance audit. Consequently a new forecast was developed by auditors (see **Table 2-1**) which projected a deficit of \$1.7 million in FY 2008-09 and nearly \$9 million by FY 2011-12, the end of the forecast period. The AOS forecast for FY 2008-09 was consistent with the Ohio Department of Education's (ODE) financial analysis of GMLSD completed in March 2008.

Based on AOS research and discussions with GMLSD officials, the following areas were assessed in the performance audit:

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

Audit work concluded in September 2008. The goal of the performance audit process was to assist GMLSD's administrators and Board of Education in identifying cost saving opportunities and improving management practices. The ensuing recommendations provide options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

GMLSD is located in Franklin County and provided educational services to 6,110 preschool through grade twelve students in FY 2007-08. For FY 2006-07, the Ohio Department of Education (ODE) reported that the District received 47.1 percent of its revenues from local sources, 46.5 percent from the State, and 6.3 percent from federal sources. ODE also reported that the District's expenditures per pupil were \$9,609, slightly above the statewide average of

\$9,587. During the course of the audit, GMLSD received overpayments of about \$767,000 in tangible personal property tax reimbursements from the State. During FY 2008-09, the State will recover this amount through reductions in foundation payments to the District. An updated forecast of revenues and expenditures completed by the District in August 2008 showed a potential General Fund deficit beginning in FY 2009-10 of about \$890,000, which could grow to \$9 million in FY 2012-13 if the District makes no changes in its operations. Without the passage of a renewal levy, this deficit could reach over \$20 million.

In FY 2007-08, the District employed approximately 562 full-time equivalent (FTE) staff consisting of 28 FTE administrators, 362 FTE educational personnel, 20.5 FTE professional/technical personnel, 78.6 FTE office/clerical staff, and 72 FTE operations and other staff. The regular education student-to-teacher ratio in FY 2007-08 was 22.4 to 1. District employees are covered under three bargaining agreements: one for certificated staff; one for teacher aides, and one for classified staff.

The District met 14 of 30 academic performance indicators established by ODE in FY 2007-08 and was categorized as a *continuous improvement* district. During the same year, GMLSD began offering all day kindergarten to its students.

GMLSD has experienced relatively stable student enrollment over the past several years. Minor fluctuations have occurred, most recently during a period when the District employed split-sessions to address overcrowding in some of its buildings. Modular units are also used to provide additional classroom space. The Ohio School Facilities Commission recently completed a needs assessment of GMLSD's facilities. If the District opts to use OSFC funding for new facilities, the local share is projected to be 44 percent of the total cost.

Flat student enrollment coupled with increasing expenditures has resulted in the District projecting future financial difficulties. In some areas of operations, particularly transportation, contracted services have been employed in an effort to improve efficiency. However, limited oversight of the transportation contract has led to higher than average transportation costs which impact the District's General Fund. GMLSD recently requested assistance from ODE on evaluating its routes in an effort to reduce its transportation costs.

In contrast, its private contractor Food Service manager has increased the financial stability of GMLSD's Food Service Fund, ensuring its solvency in FY 2007-08. The installation of a point-of-sale system at two of its schools also increased the efficiency of the food service function. The audit recommends that District administrators charge back all Food Service costs to the Food Service Fund, thereby relieving the General Fund of those costs.

In order to address its projected deficits, GMLSD administrators and Board members will have to make difficult decisions regarding District operations. Some of the recommendations in this performance audit are subject to negotiation but represent significant cost savings opportunities.

Enhanced local revenue or additional savings not identified by this performance audit would provide the District a greater range of choices in methods of cost-reduction. Conversely, failure to implement cost saving strategies may require GMLSD to make additional reductions in mission critical service areas, such as educational personnel.

Subsequent Events

On November 4, 2008, voters rejected a 3-year, 8.03 mill emergency operating levy renewal. This levy included an increase of 2.5 mills. As a result of the levy failure and other conditions, the District is projecting a \$900,000 deficit in FY 2009-10, which is expected to grow to \$20.3 million by FY 2012-13, assuming no new or renewal levies are passed during the five-year forecast period. The District is formulating plans to further reduce expenditures and to present a levy request to voters in May of 2009.

The Ohio Department of Education will conduct a State Diagnostic Team Review of GMLSD to assist the District in improving academic performance under its current and projected fiscal constraints. At the time of reporting, the review was scheduled to take place at the end of January 2009.

Also, GMLSD implemented a point-of-sale system in all of its buildings to improve the cash handling and reporting capabilities of its food service program. The system was activated for FY 2008-09.

Objectives, Scope and Methodology

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 performance audit of GMLSD was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information

from GMLSD and other school districts. AOS developed a composite of ten selected districts which were used for peer comparisons. The selected districts were Tipp City EVSD (Miami County), Canfield LSD (Mahoning County), Wadsworth CSD (Medina County), Lake LSD (Stark County), Poland LSD (Mahoning County), Jackson LSD (Stark County), Anthony Wayne LSD (Lucas County), North Canton CSD (Stark County), Northmont CSD (Montgomery County), and Green LSD (Summit County). These peer districts were specifically selected in order to compare GMLSD's operations to other urban/suburban districts that had similar demographics or used similar approaches in delivering services.

Also, external organizations and sources were used to provide comparative information and benchmarks. They included ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National State Auditors Association (NSAA), and the United States Government Accountability Office (GAO), and other related best practices. Information used as criteria (benchmarks or leading practices) was not tested for reliability.

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

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

Noteworthy Accomplishments

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

- GMLSD has created an emergency management planning manual that complies with the Federal Emergency Management Agency's National Incident Management System.
- GMLSD maintains utility costs below the peer averages. Using a consultant to monitor energy usage and providing employee training on energy management, coupled with purchasing through a consortium, has helped it achieve lower costs in this area.

Conclusions and Key Recommendations

The following are key recommendations from the performance audit report. As school district issues are often complex, users of this report are encouraged to examine the full findings and recommendations contained in the detailed sections of the report.

In the area of finance and strategic management, GMLSD should:

- Develop a clearly written, multi-year strategic plan that incorporate the Comprehensive Continuous Improvement Plan (CCIP) and any other educational and operational plans.

During the course of the audit, the District began the process of establishing goals and objectives for the development of the comprehensive strategic plan.

- Augment the standardized financial reports created for Board members by including information and analyses deemed necessary to understand the District's financial situation and make informed decisions. It should also develop and release a comprehensive annual financial report (CAFR) and consider developing a popular annual financial report (PAFR). Finally, it could include additional financial information on its website to inform and educate its residents about the District's financial operations and condition.
- Develop a comprehensive set of financial policies that are based on recommended practices. These policies should be tailored specifically to the District and its operations. In addition to standard recommended financial policies, GMLSD should adopt a Board-approved ethics policy for financial staff consistent with guidelines suggested by the Ohio Ethics Commission (OEC). Finally, it should update its credit card policy and policies governing the procurement of contracted services.
- Improve its internal controls over several financial areas by creating an audit committee that would help appropriately address potential risks and previously identified weaknesses within the financial and performance audits. In addition, developing written procedures over payroll and time and attendance processes would enhance internal controls.
- Approach bargaining unit representatives and request a memorandum of understanding requiring direct deposit for all employees and long-term substitute teachers, regardless of hire date. Furthermore, the District should discontinue the practice of issuing paper pay stubs and require all employees make use of the District's electronic pay stub capabilities.

- Update its five-year forecast on a regular basis or whenever material changes in assumptions are made or unanticipated events occur.

In the area of human resources, GMLSD should:

- Develop a staffing plan consistent with recommended practices and consider the following staff reductions:
 - 5.0 FTE Educational Support positions for an annual savings of \$432,000.
 - 8.0 Educational Service Personnel (ESP) teacher FTEs and 2.0 school nurse FTEs for an annual savings of \$653,000.
- Renegotiate the provision in its collective bargaining agreement requiring it to employ 1 FTE librarian per school building. GMLSD could replace 6 of the 10 FTE librarian positions with library aides and maintain service levels at a lower cost to the District, generating an annual net savings of \$335,000.
- Require administrative and non-bargaining unit staff to contribute 15 percent of healthcare insurance premiums and negotiate a 15 percent contribution with the Groveport Madison Local Education Association (certificated staff) for an annual savings of \$841,000.
- Seek to renegotiate provisions within its employee bargaining agreements that exceed industry standards. Additionally, the District should seek to renegotiate contract provisions that impair its right to determine matters of inherent managerial policy.
- Reduce sick leave use by strengthening its policies and procedures for a maximum annual savings of \$116,000 based on average sick leave usage in the State.

In the area of facilities, GMLSD should:

- Develop a facilities master plan that contains elements of leading practices, including five-year capital improvements, current enrollment projections, and updated capacity analyses. Also, it should develop a formal five-year capital improvement plan which is updated on an annual basis to ensure that critical repairs or equipment replacements are completed.
- Use the OSFC facilities plan as a starting point to initiate an audit of its facilities and establish a formal preventative maintenance (PM) plan to extend the functional life expectancy of all District capital assets. It should also develop specific written guidelines for prioritizing the daily maintenance requests submitted through the District's computerized work order system.

- Establish a formal policy and procedures manual for its custodial and maintenance operations to help the staff better maintain functional, safe, and clean facilities and to perform at benchmark workload levels. Based on its manual, GMLSD should then develop and implement formal performance standards and measures to consistently evaluate the efficiency and effectiveness of maintenance and operations personnel. Training should be provided to all affected personnel, and performance evaluations based on standards outlined in the manual should be conducted annually to provide custodians with feedback on their performance.
- Adjust maintenance and custodial staffing to reflect national benchmarks by increasing maintenance staffing by 2.0 FTEs and reducing custodial staffing by 7.0 FTEs. These changes will bring Maintenance Department staffing closer to industry standards, better distribute the workload among existing employees, and could reduce custodial costs by \$181,000 annually.

In the area of transportation, GMLSD should:

- Update and enhance its transportation policies, plans, procedures, and guidelines to better reflect its position on transportation-related issues and provide clearer direction and guidance to school administrators. Likewise, it should develop standard operating procedures for completing, reconciling, and submitting T-forms to ensure future T-forms are error free.
- Develop a transportation plan for FY 2008-09 that includes the reduction of at least six regular buses which would save the district \$307,000 annually.
- Implement stronger internal controls over fuel usage by establishing policies to review its fuel tracking reports and require the reconciliation of fuel inventory and usage. Tracking the price it pays for fuel and comparing it to Ohio Department of Administrative Services (DAS) pricing and other benchmarks could also help the District reduce its fuel costs. Finally, ensuring the submission of motor fuel tax refund claims to the Ohio Department of Taxation (ODT) would ensure the District receives its reimbursement (\$11,000 in FY 2007-08).

During the course of the audit, GMLSD began submitting its motor fuel tax refund claims for reimbursement.

- Attempt to renegotiate the bus replacement provision in its transportation contract to reflect a lifespan more in line with the industry benchmark of 12 to 15 years. This would reduce amortization costs by spreading the costs for new buses over a longer period of time and could save the District \$47,000 annually.

- Seek out opportunities to reduce the number of buses it uses to transport special needs students. While GMLSD has a large number of special needs riders relative to the peer districts, the disproportionately high number of special needs buses increases the District's overall transportation costs. Negotiating with its transportation Contractor to allow it to contract with a taxicab service to provide transportation to some IEP students more efficiently could save the District \$207,000 annually.
- Use the National State Auditors Association recommended practices in contracting for services.

In the area of food service, GMLSD should:

- Develop an operational plan with specific goals and objectives for its food service operations. Goals and objectives should be both functional and financial, and should be consistent with District-wide planning efforts.
- Include provisions in the contract with its food service vendor detailing specific performance expectations of the vendor. In addition, the District should establish formal procedures and allocate appropriate resources to monitor the food service contract and evaluate the performance of the contractor.
- Consider increasing lunch prices at its high school building. Increasing prices at this building would bring the District's prices more in line with other districts in the county and generate \$11,400 in revenue annually.

During the course of the audit, GMLSD implemented meal price increases at all of its school buildings.

- Consider reducing food service labor hours at the junior high and high school to achieve a level of productivity per hour more in line with the national standard and save about \$93,000 annually.
- Establish policies and procedures to ensure that food service-related expenses for utilities and trash removal are charged to the Food Service Fund to relieve \$55,100 in costs to the District's General Fund.
- Adopt formal policies and procedures for the collection, reconciliation, and timely deposit of cash receipts from its food service program.

Issues for Further Study

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

- **Food service participation:** The percentage of GMLSD students who purchased or received reimbursable lunches in FY 2006-07 (59.0 percent) was 9.0 percent higher than the peer district average. When a la carte sales – which are not reimbursable through the National School Lunch Program – are included, 67 percent of the District’s students participated in its lunch program, which was about 0.5 percent lower than the peer average. Therefore, the District’s higher reimbursable lunch participation is offset by lower a la carte participation compared to the peers. In the event that the Food Service Fund should need to increase revenue in the future to remain self-sufficient, increasing overall participation in the school lunch program may become a priority. Identifying the reasons for the low participation rates in a la carte sales may help the District develop targeted strategies to increase overall participation.
- **Walking to school:** GMLSD may consider a study on developing a comprehensive plan such as Kids Walk to School to encourage students who reside within one mile to walk or ride bicycles to school. The District can use this plan to gain support from community leaders and other enforcement agencies. The Safe Routes to School (SRTS) program is funded by the Federal Government and may help the District with funding to improve the conditions, offer awareness and educational programs, and make walking to school safe and appealing for children. GMLSD should weigh the potential costs and benefits of such a program to see if the District can save money by implementing it. In the event that the District decides to pursue these programs, it should actively apply for grants from SRTS funding by visiting the SRTS website at www.dot.state.oh.us/saferoutes.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that GMLSD should consider. Some of the recommendations depend on labor negotiations or collective bargaining agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Estimated savings are based on the first full year of implementation. As some recommendations are phased into the forecast and full savings may not be realized until FY 2011-12, assuming full implementation, report users should examine the full recommendation in the report section and the annual effects of the financial implications as shown in the **financial system** section **Table 2-4**.

Summary of Performance Audit Recommendations

	Estimated Annual Savings
Recommendations Not Subject to Negotiation	
R3.1 Reduce 5 FTE educational support staff	\$432,000
R3.2 Reduce 8 FTE ESP teachers and 2 FTE school nurses	\$653,000
R3.9 Increase employee contribution toward health insurance premiums to 15 percent for administrators	\$97,000
R3.11 Implement sick leave abuse policies and incentives to reduce sick leave use	\$116,000
R4.7 Reduce custodial staffing by 7.0 FTEs. Increase maintenance staffing by 2.0 FTEs.	\$172,000
R5.3 Reduce six school buses	\$307,000
R5.6 Collect motor fuel tax refund	\$11,000
R6.5 Charge proportional utility and trash collection expenditures to Food Service Fund	\$55,000
Sub Total Cost Savings Not Subject to Negotiation	\$1,843,000
Recommendations Subject to Negotiation	
R3.3 Phase out 6 FTE librarian positions and replace with library aides (Net Savings) ¹	\$159,000
R3.9 Increase employee contribution toward health insurance premiums to 15 percent for certificated staff	\$744,000
R5.7 Negotiate with Contractor to replace school buses at 13 years of age instead of 11 years	\$47,000
R5.8 Negotiate with Contractor to allow the District to replace some special needs buses with taxicabs	\$207,000
Sub Total Cost Savings Subject to Negotiation	\$1,157,000
Total Cost Savings from Performance Audit Recommendations ²	\$3,000,000

Source: Performance audit recommendations

¹ The full annual savings is projected to be \$335,000.

² This total differs slightly from the amount shown in **Table 2-4** because the estimate shown for the savings achieved at full implementation may be drawn from a specific year of the forecast where full implementation is assumed to occur.

Financial Systems

Background

This section focuses on the financial systems in the Groveport Madison Local School District (GMLSD, or the District). It analyzes the current and future financial condition of GMLSD for the purpose of developing recommendations to improve financial management and identify opportunities for greater efficiency.¹ Operations were evaluated against leading practices, industry benchmarks, operational standards, and selected peer districts² in order to develop recommendations that will improve efficiencies and business practices. Leading practices and industry standards were drawn from various sources including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), and the United States Government Accountability Office (GAO).

Treasurer's Office Operations

The Treasurer's Office consists of five staff members: the Treasurer, who reports to the Board of Education (the Board), and the Assistant Treasurer, Payroll Clerk, Accounts Payable Clerk, and Receipts/Insurance Clerk, who report directly to the Treasurer. The Treasurer has been with the District since January 2008. The Assistant Treasurer, Payroll Clerk, Accounts Payable Clerk, and Receipts/Insurance Clerk each have approximately two years of experience with the District. The Office is responsible for processing payroll, administering accounts payable/receivable, administering employee benefits, and reporting District finances to the Board and general public. Treasurer's Office operations are guided by Board-approved Ohio School Boards Association Fiscal Management Policies, which contain some elements of recommended practices including budgeting, fiscal planning, purchasing, and payroll procedures.

Financial History and Condition

The last successful levy for new operating money was a three-year emergency levy passed in 1997 for \$4.5 million. This levy was renewed in 2000, 2003, and 2006 and will expire in 2009. ODE provided funding for this performance audit due to the District's projected deficit in Fiscal Year 2008-09 and its deteriorating financial condition. During the course of the audit, the Board

¹ See **Appendix I-A** in the **executive summary** for a summary of the financial systems objectives.

²The peers include: Anthony Wayne LSD (Lucas County), Canfield LSD (Mahoning County), Green LSD (Summit County), Jackson LSD (Stark County), Lake LSD (Stark County), North Canton CSD (Stark County), Northmont CSD (Montgomery County), Poland LSD (Mahoning County), Tipp City EVSD (Miami County), and Wadsworth CSD (Medina County).

was considering various levy options including a new operating levy because of the projected financial condition of the District.

GMLSD has experienced significant increases in expenditures per student on Personal Services, Employees' Retirement/Insurance Benefits, Purchased Services, Debt Service, and Other Objects in recent years. However, revenues have not increased at a similar pace.

Five-year Forecast

Ohio Revised Code (ORC) § 5705.391 requires all city, local, exempted village, and joint vocational school districts to submit a five-year forecast of general operating revenues and expenditures to ODE. The forecast format consists of three years of historical data, projections for the current and four ensuing years, and a summary of key assumptions. When this audit was initiated, the October 2007 five-year forecast was the most recent projection available. According to the October 2007 five-year forecast filed with ODE, the District was projecting a negative ending fund balance beginning in Fiscal Year 2009-10.

The October forecast was created by the previous Treasurer and was considered out of date at the time the audit began. Explanations of the assumptions were also not available. Therefore, it was not analyzed and, instead, auditors developed an updated forecast based on the latest information available and a set of reasonable assumptions. The ODE two-year fiscal analysis was used as a component of the forecast developed by the auditors.

During the course of the audit, the Treasurer updated the forecast and it was filed with ODE on May 30, 2008. This forecast also showed a deficit beginning in FY 2009-10 but adjustments to the forecast had reduced the projected deficit from \$1.3 million to about \$881,000. Auditors examined the May forecast and requested clarification on the changes that resulted in the lower forecasted deficit. Likewise, additional clarification on the forecast assumptions was requested. Because the assumptions and changes to the historical data in the forecast did not appear to be adequately supported, the forecast presented in **Table 2-1** reflects the forecast developed by auditors based on the ODE fiscal analysis.

The financial forecast presented in **Table 2-1** presents actual revenues, expenditures, and ending fund balances for fiscal years 2005, 2006, and 2007, as well as projected revenues, expenditures, and fund balances for fiscal years 2008³, 2009, 2010, 2011, and 2012.

³ During the course of the audit, the actual revenues and expenditures for FY 2007-08 became available. The forecast was updated to include these figures.

Table 2-1: Groveport Madison Local School District Five-Year Forecast (in 000's)

	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
Revenue								
General Property Tax	\$23,497	\$20,751	\$21,628	\$21,014	\$21,329	\$19,288	\$19,503	\$19,698
Tangible Personal Tax	\$7,419	\$4,978	\$4,192	\$3,816	\$3,248	\$1,575	\$1,360	\$0
Unrestricted Grants-in-Aid	\$20,786	\$23,728	\$24,593	\$23,729	\$25,385	\$27,126	\$29,412	\$30,739
Restricted Grants-in-Aid	\$117	\$248	\$1,007	\$2,881	\$2,878	\$2,878	\$2,878	\$2,878
Property Tax Allocation	\$2,337	\$2,327	\$3,541	\$4,721	\$3,987	\$3,530	\$3,550	\$3,568
All Other Revenues	\$512	\$705	\$843	\$955	\$793	\$793	\$793	\$793
Total Revenues	\$54,668	\$52,737	\$55,803	\$57,116	\$57,622	\$55,191	\$57,497	\$57,677
Operating Transfers-In	\$0	\$0	\$0	\$167	\$165	\$157	\$157	\$150
Advances-In	\$82	\$17	\$0	\$0	\$0	\$0	\$0	\$0
All Other Financing Sources	\$11	\$7	\$499	\$158	\$85	\$85	\$85	\$85
Total Revenues and Other Financing Sources	\$54,761	\$52,762	\$56,301	\$57,441	\$57,872	\$55,433	\$57,739	\$57,912
Expenditures								
Personal Services	\$28,591	\$28,734	\$28,821	\$28,183	\$29,169	\$30,200	\$31,278	\$32,406
Employees' Retirement/ Insurance Benefits	\$9,600	\$9,486	\$9,682	\$9,519	\$10,009	\$10,304	\$10,608	\$10,922
Purchased Services	\$10,705	\$11,667	\$14,407	\$16,014	\$16,628	\$17,262	\$17,923	\$18,613
Supplies and Materials	\$1,371	\$1,113	\$1,092	\$1,281	\$1,463	\$1,468	\$1,472	\$1,478
Capital Outlay	\$590	\$166	\$55	\$28	\$57	\$58	\$59	\$60
Debt Service								
Debt Service (Principal, Interest and Fiscal Charges)	\$1,791	\$1,714	\$1,688	\$167	\$165	\$157	\$157	\$150
Other Objects	\$3,012	\$1,556	\$1,677	\$1,941	\$1,707	\$1,722	\$1,738	\$1,754
Total Expenditures	\$55,660	\$54,436	\$57,421	\$57,133	\$59,199	\$61,171	\$63,236	\$65,383
Operational Transfers-Out	\$132	\$0	\$0	\$179	\$165	\$157	\$157	\$150
Advances-Out	\$17	\$2	\$0	\$297	\$0	\$0	\$0	\$0
All Other Financing Uses	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$55,811	\$54,438	\$57,421	\$57,609	\$58,750	\$60,694	\$62,732	\$64,843
Result of Operations (Net)	(\$1,050)	(\$1,676)	(\$1,120)	(\$169)	(\$878)	(\$5,349)	(\$5,316)	(\$7,153)
Balance 7/1	\$9,664	\$8,614	\$6,938	\$5,818	\$5,649	\$4,157	(\$1,738)	(\$7,391)
Cash Balance 6/30	\$8,614	\$6,938	\$5,818	\$5,649	\$4,157	(\$1,738)	(\$7,391)	(\$15,013)
Estimated Encumbrances 6/30	\$181	\$302	\$219	\$71	\$200	\$200	\$200	\$200
Textbooks and Instructional Materials	\$0	\$0	\$0	\$0	\$818	\$818	\$818	\$818
Property Tax Advance	\$5,750	\$5,800	\$5,500	\$5,000	\$4,800	\$4,600	\$4,400	\$4,200
Bus Purchases	\$0	\$0	\$0	\$37	\$37	\$37	\$37	\$37
Reservation of Fund Balance								
Fund Balance 6/30 for Certification of Appropriations	\$2,683	\$836	\$98,904	\$541	(\$1,697)	(\$7,392)	(\$12,846)	(\$20,267)
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0	\$2,254	\$6,763	\$11,272
Fund Balance June 30 for Certification of Contracts	\$2,683	\$836	\$98,904	\$541	(\$1,697)	(\$5,137)	(\$6,083)	(\$8,995)
Unreserved Fund Balance 6/30	\$2,683	\$836	\$98,904	\$541	(\$1,697)	(\$5,137)	(\$6,083)	(\$8,995)

Source: GMLSD and AOS

Note: Numbers may vary due to rounding.

¹ During the course of the audit, the actual revenues and expenditures for Fiscal Year 2008 became available. The forecast was revised to include these amounts.

Forecast Assumptions

Forecast projections were based on accepted methodologies, historical trends, and other information available at the time of the audit. The paragraphs that follow explain the major forecast line items and the methodologies used to develop the projections.

Revenues

General Property: General Property includes real estate taxes collected by the County Auditor on behalf of the District. Every three years, real estate values are reappraised or updated by the County Auditor's Office. Since taxes are collected and distributed on a calendar year basis, the first fiscal year following a reappraisal or a triennial update will only generate one-half of the increase in revenue resulting from any increase in property values. The projections in **Table 2-1** were based on the assessed valuations reported by ODE on the school finance form (SF-3). By using historical data from the five-year forecast and SF-3 forms, the average general property tax collection as a percentage of the total assessed valuation was calculated. This percentage was applied to the projected assessed valuations for FY 2007-08 through FY 2011-12 to project future general property tax collections. In addition, the projections take into account the expiration of the emergency levy in 2009.

Tangible Personal Property Tax: Tangible Personal Property Tax includes the amount businesses pay on equipment or supplies/materials they own. This tax is being reduced 25 percent per year (which started in FY 2005-06) and is being replaced with the Commercial Activities Tax (CAT). Districts are reimbursed those reductions through 2010 before a phase out begins which will last through FY 2016-17. Projections were based on historical trends and those made by the previous treasurer in the October 2007 forecast.

State Funding (Unrestricted and Restricted Grants-in-Aid): State funding is comprised of unrestricted and restricted grants-in-aid received from the State through the State Foundation Program. The funding levels are established by the Ohio General Assembly and the program is administered by ODE. The projections in **Table 2-1** for State funding were based on a methodology that includes details regarding Average Daily Membership (ADM) projections, State Foundation levels, recognized valuation, special educational weighted amounts, career tech/ adult education, bus purchase, and other categorical items. These items were based on historical trends and other known factors. Although State funding amounts cannot be projected with absolute certainty, detailed assumptions will allow Board members and administrators to plan based on expected funding levels and identify causes if revenues do not materialize as expected.

Property Tax Allocation: Property Tax Allocation includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback, and the "ten thousand dollar exemption" where businesses are exempt from paying the first \$10,000 of

property tax and the District is reimbursed through State funding. Projections were based on historical trends and the projections made by an ODE Fiscal Consultant. The projections include the repayment of \$767,817 in Tangible Personal Property Tax Reimbursement to the State in FY 2008-09 due to overpayments received.

Other Revenue: Other Revenue consists of items such as tuition and other payments from school districts, other revenue for education provided by the District, earnings on investments, fees for classroom materials, miscellaneous receipts from local sources, proceeds from rentals and fines, and any other revenue sources. Projections include assumptions and projections for open enrollment, interest on investments, revenue from rentals, and other miscellaneous sources of revenue. These items were based on historical trends and known factors.

Expenditures

Personal Services (Salaries and Wages): Personal Services consist of items such as regular salaries, substitute salaries, supplemental contracts, severance pay, sick leave payments, and overtime costs. The projections in **Table 2-1** were made on a line item basis and were based on historical trends and known factors, such as employee years of service, average step increases, average negotiated wage increases of 3 percent, and the terms of the negotiated agreements.

Employees' Retirement / Insurance Benefits (ERIB): ERIB includes the cost of employee health, dental, life, and vision insurance; retirement contributions; unemployment insurance; and workers' compensation premiums. The projections for ERIB include anticipated retirement costs for the certificated and classified staff based on the revised projections for Personal Services. Projections were based on historical trends, such as the average annual percent change in insurance expenditures.

Purchased Services: Purchased Services account for items such as utilities (electricity, gas, water, and sewer), professional and technical services, property services, travel mileage and meeting expenses, communications, contracted craft or trade services, open enrollment tuition, pupil transportation services, and other miscellaneous purchased services. Projections were based on historical trends using the average annual percent change in line item expenditures.

Supplies and Materials: Supplies and Materials include items such as general supplies, textbooks, library books, newspapers, supplies and material for resale, food and related supplies and materials, and supplies and materials related to the operation, maintenance, and repair of plant, equipment, and motor vehicles. Projections are based on historical changes on a line item basis and known factors. Ideally, educational and operational goals would also be considered when projecting items such as textbooks and operational and maintenance repairs. Historical expenditures per student on such items as general supplies and library books were also analyzed and applied to projected enrollment. In addition, expenditures related to the operation, maintenance, and repair of vehicles were projected based on the average amount spent per

vehicle and the number of vehicles in the fleet. Because the District is not meeting the required expenditures for textbook and instructional materials, the amount that needs to be spent to meet the requirement is “set aside” as reservation of funds in the forecast.

Capital Outlay: The Capital Outlay category includes expenditures for the acquisition of, or additions to, fixed assets. Included are expenditures for land or existing buildings; improvements of grounds; construction of buildings; additions to buildings; remodeling of buildings; and new and replacement equipment, furnishings, and vehicles. Projections were made on a line item basis and were based on historical trends.

Financial Operations – Expenditures

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Functions must continually be evaluated and prioritized, given the limited availability of resources. **Table 2-2** compares GMLSD’s FY 2006-07 expenditures on a per pupil basis to the peer average. Total expenditures are based on the ODE Expenditure Flow Model (EFM).⁴ In FY 2006-07, the District’s total expenditures per pupil (EPP) were above the peer average by 16.4 percent.

Table 2-2: FY 2006-07 Expenditure per Pupil Comparison

	GMLSD		Peer Average		Difference Per Student	Percent Difference
	Total \$	\$ Per Student	Total \$	\$ Per Student		
Administration	\$6,671,344	\$1,198	\$3,577,119	\$892	\$307	34.4%
Operations Support	\$11,861,583	\$2,131	\$6,641,656	\$1,651	\$480	29.1%
Staff Support	\$496,998	\$89	\$581,949	\$141	(\$52)	(36.8%)
Pupil Support	\$4,288,261	\$770	\$3,329,712	\$828	(\$57)	(6.9%)
Instruction	\$30,181,216	\$5,421	\$19,203,194	\$4,747	\$675	14.2%
Total	\$53,499,402	\$9,610	\$33,333,631	\$8,258	\$1,352	16.4%

Source: Ohio Department of Education Expenditure Flow Models for GMLSD and the peers.

Note: Numbers may vary due to rounding.

Table 2-2 shows that higher spending than the peer average on administration, operations, and instruction was partially offset by below average spending on staff support and pupil support.

- **Administration:** GMLSD spent approximately \$307 (34.4 percent) more per pupil than the peer average. The majority of these costs are attributed to salaries and benefits, along with Support Services - Board of Education (2300 function), which provides funds for the Board of Education’s activities.

⁴ The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of kindergarten through twelfth grade students and does not include all the funds accounted for by a school district.

- **Operations Support:** GMLSD spent approximately \$480 (29.1 percent) more per pupil than the peer average. The majority of these costs can be associated with Support Services- Pupil Transportation (2800 function), which provides funds for transportation-related activities such as service area direction, vehicle operation services, monitoring services, vehicle servicing and maintenance, and pupil transportation purchasing services. (See **transportation** for additional information on transportation operations.)
- **Instruction:** GMLSD spent approximately \$675 (14.2 percent) more per pupil than the peer average. The majority of these costs can be associated with teacher salaries and benefits.

Audit Objectives for the Financial Systems Section

The following is a list of the audit objectives used to evaluate the District's financial management practices:

- Does the District's financial data appear to be valid and reliable?
- What has been the District's recent financial history and what is its likely future financial position?
- How do the District's expenditures per student educated compare with peer districts?
- Does the District have comprehensive financial policies and procedures that meet recommended practices?
- Does the District report appropriate financial information to management and the community?
- Has the District developed a strategic plan which links educational and operational plans and meets leading practices?
- Does the District have a comprehensive purchasing policy and corresponding procedures that meet recommended practices?
- Does the District effectively manage payroll operations?

Recommendations

Planning

R2.1 GMLSD should develop a clearly written, multi-year strategic plan that provides vision and direction for its employees. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP) and any other educational and operational plans. In developing the strategic plan, the Board should identify and formally adopt a limited number of District priorities to guide its strategies and major financial needs, capital needs, and program decisions.

The strategic plan should clearly delineate the District's goals and objectives, and the strategies for achieving them; the priorities the Board assigns to its goals, objectives, and strategies; the performance measures and standards the District will use to judge its progress toward meeting its goals; and the entities or departments responsible for implementing the strategies. Once a comprehensive strategy is adopted and approved, GMLSD should assess all parts of the strategic plan on an annual basis and, as appropriate, amend its priorities to reflect changes in internal and external conditions.

During the course of the audit, the District began the process of establishing goals and objectives for the development of the comprehensive strategic plan.

The District has not developed a multi-year strategic plan that incorporates all elements of its operations. According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005),⁵ entities should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment, and revenues. Accordingly, the GFOA recommends entities take the following actions when developing a strategic plan:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement, and monitor the plan; and
- Reassess the strategic plan annually.

⁵ <http://www.gfoa.org/downloads/budgetStrategicPlanning.pdf>.

Within GMLSD, the strategic plan should be adopted as part of each school's improvement plan, which links State and District educational and operational goals to the strategic plan. The goals, objectives, and strategies of the strategic plan should be listed in their order of importance. By implementing a strategic plan, GMLSD can gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational mission. In addition, a strategic plan could help improve communication between the District and community, provide direction for the Board, and align planning and budgeting processes to the district-wide strategic plan.

Financial Reporting

R2.2 GMLSD should augment the standardized financial reports created for Board members by including information and analyses deemed necessary to understand the District's financial situation and make informed decisions. The reports should be presented in a user-friendly format with explanatory comments and graphics.

The GMLSD Treasurer provides the Board with monthly financial reports approximately one week before each board meeting. Beginning in January 2008, these reports were distributed electronically. The reports include the following information:

- Actual vs. Budgeted General Operating Fund Receipts and Expenditures;
- Amended Official Certificate of Estimated Resources;
- Financial Summary Report by Fund;
- Financial Appropriation Report;
- Financial Revenue Report;
- Check Register; and
- Appropriation and Receipt Modifications Report.

While GMLSD's monthly financial reports include a large amount of information covering the basic scope of the District's financial operations, the reports are generated directly from the District's accounting software and do not include explanatory material. Further, the reports are not presented in a user-friendly format.

Recommended Budget Practices (GFOA, 1999)⁶ notes that regular monitoring of budget performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed due to changing circumstances. Districts such as Lebanon City School District (LCSD) in Warren County provide their board members with a comprehensive set of monthly reports to facilitate timely, informed decision making. LCSD's reports are presented in a user-friendly format, which includes

⁶ The GFOA's *Recommended Budget Practices* can be found online at:
<http://www.gfoa.org/services/df/budget/RecommendedBudgetPractices.pdf>.

narrative updates, charts, and graphs. Its monthly reports include the following components:

- Treasurer's Update;
- Financial Notes / Transaction Summary;
- General Fund Monthly Cash Balance, Expenditures, and Revenue;
- General Fund Cash Flow Analysis;
- Bank Reconciliation Summary;
- Financial Report by Fund (FINSUM); and
- Monthly Warrant/Refund/Payroll Check Summary.

GMLSD could improve the quality and clarity of its monthly financial reports by supplementing them with narrative updates, charts, and graphs. A more descriptive and user-friendly report would enable Board members to make more informed decisions, which is particularly important given the District's current financial situation. This approach would also provide an opportunity for the Treasurer to present financial information to other key stakeholders, such as staff, administrators, community members, and other public officials. The Treasurer should continue to distribute the reports electronically to the Board in advance of the Board meetings, as this is an efficient and cost-effective method of distribution.

R2.3 GMLSD should develop and release a comprehensive annual financial report (CAFR) and consider developing a popular annual financial report (PAFR). The District should also ensure that these reports are readily available and publicized through several forms of communication such as postings at public libraries, mailings to major businesses, posting on the District's website (see R2.4), and press releases to the local media. These reports should also be reviewed by Board members and administrators, and copies should be made available to the public upon request.

GMLSD has not published a CAFR since 2004, and does not publish a PAFR. However, the Treasurer stated that he plans to begin publishing a CAFR in the future. According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003),⁷ governments should develop a CAFR as it is an unparalleled means of demonstrating financial accountability. The Westerville City School District in Franklin County develops both a CAFR and PAFR, which are used by community members, Board members, staff, and local businesses to gain insight into the financial operations of the district.

⁷ The GFOA's *Using Websites to Improve Access to Budget Documents and Financial Reports* can be found online at: <http://www.gfoa.org/downloads/caafr-budgets-to-websites.pdf>.

According to *Preparing Popular Reports* (GFOA, 2001), government entities should also issue a PAFR. A PAFR is designed to assist those who need or desire a less detailed overview of government financial activities than the CAFR provides. A PAFR can take the form of consolidated or aggregated presentations, or a variety of other forms.

Providing enhanced financial and statistical reporting through a CAFR and PAFR would give stakeholders insight into District operations and provide a better understanding of the District's financial condition and outlook. Although there are costs associated with the preparation and printing of CAFR and PAFR documents, some components of this work could be performed in-house. The Treasurer's Office could develop the CAFR and the tables and graphs associated with the PAFR and publish these documents on the District website in electronic form. Using electronic media to publish the CAFR and PAFR would greatly reduce the cost of production and distribution.

R2.4 GMLSD should include additional financial information on its website that informs and educates its residents about the District's financial operations and condition. This information should include, but should not be limited to, budget documents, the CAFR and PAFR (see R2.3), the District's five-year forecast, and copies of the monthly financial reports provided to the Board.

The District's website contains news of general interest to District stakeholders, including upcoming events, a staff directory, board meeting agendas and minutes, forms and supply lists, and enrollment information. Although the District has been proactive in providing the community with this type of information; the website does not include any information pertaining to the financial operations of the District. The Treasurer stated that there are plans to increase the amount of financial information on the District's website in the future.

According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003),⁸ each government entity should publish its budget document and financial documents on its website. GFOA further recommends that governments comply with the following guidelines when presenting these documents on their websites:

- The electronic budget document and the electronic CAFR should be identical to the printed versions of these documents;
- The website should prominently notify users that the information in the CAFR has not been updated for developments subsequent to the date of the independent auditor's report;
- The website should prominently inform users whether the budget document presented represents the preliminary budget or the approved budget;

⁸ <http://www.gfoa.org/downloads/caafr-budgets-to-websites.pdf>.

- If a government elects to present the budget documents and CAFRs of prior years, the website should clearly identify these documents as “dated information for historical reference only” and clearly segregate them from current information. A “library” or “archive” section of the website is advisable for this purpose; and
- The security of the website should be evaluated to protect it from manipulation by external or unauthorized persons;

School districts in Ohio such as Lakota Local School District (Butler County),⁹ Westerville City School District (Franklin County),¹⁰ and Olentangy Local School District (Delaware County)¹¹ provide a wide range of financial information on their websites. This information includes the following:

- **Levy Information** – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calendar, Income Tax Calculator, Ohio School District Income Tax, and a Glossary of Terms;
- **Expenditures By Object/Function** – Illustrates salaries, benefits, purchased services, capital outlay, maintenance, transportation, and extracurricular expenditures;
- **Budget Appropriations** – Current Five-Year Forecast, Tips on Understanding the Five-Year Forecast, FY Appropriations, FY Tax Budget, and Historical Year-End Analysis;
- **Taxes/Millage/Valuations** – Tax Calculator, Presentation of Governor’s Blue Ribbon Task Force on Student Success, County Area Effective Tax Rates (Historical Information), Tax Rate History, and Q&A on Taxes and Millage;
- **Annual Reports** – Historical information, CAFRs, and PAFRs; and
- **Miscellaneous** – Audit Findings, School Finance Terms, State Financial Designations, ODE Local District Report Cards, Reports on Enrollment, and Finance and Audit Committee information.

By providing key financial information to the District’s stakeholders on its website, GMLSD can increase awareness and understanding of its financial condition. Posting financial information on the District’s website also reduces the time needed for public document requests and eliminates the costs associated with providing the information in paper form. In addition, the electronic format provides the users with a computerized tool to find, extract, and analyze data contained in these often lengthy documents. Although staff time is required to develop, maintain, and update the information on the website, GMLSD could use its website to enhance the types of financial reports available to the public at little additional cost to the District.

⁹ <http://www.lakotaonline.com/>

¹⁰ <http://www.westerville.k12.oh.us/>

¹¹ <http://www.olentangy.k12.oh.us/>

Internal Controls

R2.5 GMLSD should develop a comprehensive set of financial policies that are based on recommended practices. These policies should be tailored specifically to the District and its operations. Once a comprehensive set of financial policies has been developed and adopted by the Board, the District should ensure that its financial and budgetary practices are consistent with these policies.

The District has established financial management policies within its Board Policies with the assistance of the Ohio School Boards Association's policy consultants. However, the financial policies do not include many elements of the practices recommended by the GFOA.¹²

Specifically, GFOA recommends financial management policies be consistent with broad government goals and be tailored specifically to the agency and its operations. Financial management policies should provide guidance to the District in the development of service, capital, and financial plans and the overall budgeting process. All other adopted budgetary practices should be consistent with these policies. To ensure that its financial management practices follow recommended guidelines, GMLSD should adopt and implement the following GFOA-recommended policies and practices:

- **Budget Stabilization Funds** – A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes.
- **Fees and Charges** – A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the services provided.
- **Debt Issuance and Management** – A government should adopt policies to guide the issuance and management of debt.
- **Debt Level and Capacity** – A government should adopt a policy on the maximum amount of debt and debt service that should be outstanding at any one time.
- **Use of One Time Revenue** – A government should adopt a policy limiting the use of one time revenues for ongoing expenditures.
- **Use of Unpredictable Revenues** – A government should identify major revenue sources it considers unpredictable and define how these revenues may be used.

¹² <http://www.gfoa.org/services/dfl/budget/RecommendedBudgetPractices.pdf>

- **Balancing the Operating Budget** – A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs.
- **Revenue Diversification** – A government should adopt a policy that encourages diversity of revenue sources.
- **Contingency Planning** – A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.

Including the comprehensive policies recommended by GFOA and tailoring those policies specifically to the District and its operations could help GMLSD better manage its limited resources and help ensure consistency in financial practices. Such policies can also help the District operate more smoothly, can be used as a tool for financial decision making, and can improve the ability of the District to take timely action. In addition, financial policies could aid in the overall management of the budget and achievement of the District's long range goals.

R2.6 GMLSD should adopt a Board-approved ethics policy for financial staff consistent with guidelines suggested by the Ohio Ethics Commission (OEC). Such a policy should require all financial staff to conduct themselves in a manner that avoids favoritism, bias, and the appearance of impropriety. Once adopted, this policy should be distributed and discussed with all staff in the Treasurer's Office. The policy should also be posted on the District's website so that it is readily available for others to see. The ethics policy should contain "conduct restraints" that mirror those recommended by OEC.

The District has an ethics policy for Board members; however, an ethics policy for financial staff has not been developed. Although there is not any evidence of unethical behavior among financial administration and staff, the presence of an ethics policy will help ensure that employees are aware of the guidelines for appropriate behavior when acting on behalf of the District.

According to the OEC sample ethics policy¹³ for local governments, officials and employees must, at all times, abide by the protections to the public embodied in Ohio's Ethics Laws. These laws are codified in ORC Chapters 102 and 2921, and have been interpreted by OEC and various Ohio courts. A copy of these laws should be provided to employees and their receipt acknowledged, as required in ORC § 102.09(D). OEC

¹³ http://www.ethics.ohio.gov/ModelEthicsPolicy_localagencies.html

recommends the ethics policy should prohibit financial staff from engaging in the following activities:

- Soliciting or accepting anything of value from anyone doing business with the [District];
- Soliciting or accepting employment from anyone doing business with the [District], unless the official or employee completely withdraws from [District] activity regarding the party offering employment, and the [District] approves the withdrawal;
- Using his or her public position to obtain benefits for the official or employee, a family member, or anyone with whom the official or employee has a business or employment relationship; and
- Being paid or accepting any form of compensation for personal services rendered on a matter before any board, commission, or other body of the [District], unless the official or employee qualifies for the exception, and files the statement described in ORC § 102.04(D).

An official written policy will help ensure that all staff members, particularly those entrusted with District funds, conduct themselves in a manner that avoids favoritism, bias, and the appearance of impropriety. Furthermore, a comprehensive ethics policy will help ensure that employees' actions are always in the best interest of the District. After the Board implements an ethics policy that encompasses the OEC elements, it should have staff read and sign the policy to acknowledge their understanding of the Board's expectations.

R2.7 GMLSD should improve its internal controls over several financial areas by creating an audit committee that would help appropriately address potential risks and previously identified weaknesses within the financial and performance audits. The audit committee should function as an independent reviewer and provide oversight of the District's financial reporting processes, internal controls, and audit outcomes. Furthermore, the audit committee could help GMLSD develop, implement, monitor, and revise policies and procedures when necessary. Proper internal controls developed by the audit committee will help ensure that the District's resources are protected and personnel comply with formalized processes, while minimizing the potential risk of fraud and abuse.

The District does not have an audit committee. However, GMLSD does have a Board Subcommittee known as the School Finance and Business Operations Committee. The committee is comprised of two Board members. The Treasurer and Business Manager review issues, such as upcoming circumstances that may impact the District's financial condition and require administrative action, with this committee. Any recommendations

go to the full Board for consideration. However, this committee does not review audit recommendations and does not function as a traditional audit committee.

Recommended Practices- Audit Committees (GFOA, 2006)¹⁴ recommends that a government body develop an audit committee as a practical means for providing much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent audit function. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls. Furthermore, a committee can enhance internal controls by developing procedures to objectively assess management's practices. To ensure objectivity and independence, community members not affiliated with the District should be invited to serve on the audit committee. However, *Audit Committee Charter Matrix for Government Organizations* (American Institute of Certified Public Accountants (AICPA), 2005)¹⁵ suggests that interested individuals who wish to serve on the committee, including governing body members, should be solicited.

The Olentangy Local School District (Delaware County) has a Finance and Audit Committee in place which performs the following functions:

- Reviews the Treasurer's forecast assumptions on an annual basis;
- Shares business and financial best practices from the private and public sectors and recommends operational efficiencies;
- Serves as the official audit committee by reviewing audit results, assuring that audit recommendations are appropriately met, and serving as a liaison between District management and independent auditors;
- Reviews the schedule of levies (timing and estimated millage amounts) based on the most current five-year projections and makes appropriate recommendations to the Board; and
- Prepares and presents reports on committee activities to the Board at public meetings.

According to *Best Practices* (AOS, Spring 2005),¹⁶ the creation of an audit committee enhances the credibility of an agency's financial reporting and strengthens 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 audit activities.

¹⁴ http://www.gfoa.org/downloads/caafrAudit_Committee_revised.pdf.

¹⁵ http://www.aicpa.org/audcommctr/toolkitsnpo/Consolidated_Matrix.htm.

¹⁶ http://www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol2Issue1_Spring2005.pdf.

Based on the recommendations of GFOA and AICPA, the District should evaluate and determine the role and makeup of the audit committee. Furthermore, at a minimum, the audit committee should have at least one member that has financial experience, who can provide guidance and assistance to other audit committee members. Implementing a Finance and Audit Committee will help GMLSD ensure audit findings are addressed promptly and any known risks are mitigated through appropriate internal controls.

R2.8 GMLSD should update its credit card policy and implement additional internal controls to promote accountability over credit card use. Furthermore, the policy should be included in the existing Board-approved fiscal management policies and communicated to all employees authorized to make credit card purchases on behalf of the District. Lastly, the District should closely monitor and cancel inactive credit card accounts in an effort to limit the potential of fraud and/or abuse.

GMLSD's credit card policy incorporates some elements of recommended practices, such as written acknowledgment of employee responsibility, guidelines on appropriate uses, and procedures for handling disputes and unauthorized purchases. The District indicated that credit card usage is closely monitored, and because only two active cards are in circulation, credit card use is very infrequent. However, the policy has not been updated in recent years, is not closely followed, and is lacking elements of recommended practices. Furthermore, the credit card policy has not been incorporated in the online policy manual, so it is not readily available to authorized users. Finally, the District has several inactive credit card accounts. These cards have been in inactive status for an average of 22 months.

According to *Recommended Practices- Purchasing Card Programs* (GFOA, 2003),¹⁷ if not properly monitored, the issuance of purchasing cards or credit cards to employees could result in internal control issues or abuse. Guidelines for the use of purchasing/credit cards include the following:

- Written agreement with the bank;
- Written policies and procedures for internal staff;
- Written acknowledgment of employee responsibility;
- Spending and transaction limits;
- Written requests for higher spending levels;
- Recordkeeping requirements;
- Clear guidelines on the appropriate uses of purchasing cards;
- Guidelines for making purchases by telephone, fax, or Internet;
- Periodic audits of card activity;
- Procedures for handling disputes and unauthorized purchases;

¹⁷ <http://www.gfoa.org/downloads/PurchasingCardFINAL.pdf>.

- Procedures for card issuances and cancellation, lost or stolen cards, and employee termination; and
- Segregation of duties for payment approvals, accounting, and reconciliation.

According to *Best Practices* (AOS, Winter 2004),¹⁸ appropriate policies and procedures pertaining to credit card use will undoubtedly reduce the risks associated with purchasing programs, and help protect against abuse while promoting employee accountability. Furthermore, the cancellation of inactive accounts eliminates the risk of any inappropriate use and unauthorized purchases. Without a comprehensive credit card use policy, the District increases the risk of misuse and abuse of District funds.

R2.9 GMLSD should update its policies and procedures to include requirements that are in line with recommended practices for the procurement of contracted services. This will help GMLSD ensure proper internal controls over the contracting process and enhance accountability for selected vendors. The bidding policy should also be updated to reference the appropriate officials who are responsible for the bidding processes.

In addition, GMLSD should develop written policies and procedures for the Treasurer's Office which address the maximization of vendor discounts and timely payments.

GMLSD has a bidding policy that exceeds the requirements established by ORC § 3313.46, which requires a competitive bidding for purchases above \$25,000. The policy states that, when feasible, a process for obtaining three or more quotes from vendors will be followed for purchases between \$10,000 and \$25,000. Although more stringent than ORC requirements, the District's policy does not incorporate all elements of recommended practices suggested by the National State Auditors Association (NSAA).

The District also does not have purchasing policies pertaining to timely payments or taking advantage of vendor discounts. A random test of the District's purchase orders revealed that one vendor offered a discount for timely payments, but the District did not take advantage of the discount by paying the invoice by the required date. The test also revealed that 4 of the invoices tested were not paid by the vendor specified terms, averaging approximately 33.75 days beyond the specified due date. There were no late fees assessed due to the untimely payments. However, vendors could issue the District late fees and charges in the future if the problem of untimely payments persists.

¹⁸ http://www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol1Issue2_Winter2004.pdf.

According to *Contracting for Services* (NSAA, 2003), governments should develop policies and procedures for the procurement of contracted services. These policies and procedures should include the following elements:

- **Planning** - Proper planning provides the foundation for contract awarding and monitoring. Planning identifies what services are needed, how they should be provided, and what provisions should be in the contract.
- **Decision to Contract** - The agency needs to determine whether or not to contract for the services. This will determine whether outsourcing or keeping the service in house is the necessary action.
- **Performance Requirements** - Once the decision to contract has been made, the agency should develop performance requirements that will hold vendors accountable for the delivery of quality services.
- **Request for Proposal Process (RFP)** - The decision to issue a request for proposal commits an agency to a formal process based on fair and open competition and equal access to information.
- **Award Process** - Although evaluation methods vary, the contract award process should ensure vendor proposals are responsive to the agency's needs, consistently and objectively evaluated, and contracts are awarded fairly to responsible vendors.
- **Contract Provision** - Contracting for purchased services should be formalized. Contracts should (1) protect the interest of the agency, (2) identify the responsibilities of the parties to the contract, (3) define what is to be delivered, and (4) document the mutual agreement, the substance, and the parameters of what was agreed upon.
- **Monitoring** - Contract monitoring is an essential part of the contract process. Monitoring should ensure that contactors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, the contracting agency does not have adequate assurance it will receive what it contracts for.

According to *Extension of Federal Prompt-Pay Requirements to State and Local Governments* (GFOA, 1989), the timely payment of bills is an important financial management practice that can save governments money. By carefully timing payments so there are neither late nor early payments, a government can take advantage of discounts, avoid penalties, and maximize investment return on short-term investments. Furthermore,

prompt bill paying reduces vendor costs which, in turn, reduces government procurement costs.

Policies and procedures surrounding contracted services can help GMLSD ensure efficient, effective, and accountable vendors are selected. Furthermore, policies and procedures would help ensure consistent application of appropriate internal controls during the procurement process. Finally, by developing written policies and procedures pertaining to timely payments and vendor discounts, the District could potentially net some savings while reducing the risk of incurring late fees and charges.

Payroll

R2.10 GMLSD should approach bargaining unit representatives and request a memorandum of understanding requiring direct deposit for all employees and long-term substitute teachers, regardless of hire date. Furthermore, the District should discontinue the practice of issuing paper pay stubs and require all employees make use of the District's electronic pay stub capabilities. By expanding the use of these practices, the District could reduce the supply and material costs associated with producing paper pay checks and stubs while improving the efficiency of operations in the Treasurer's Office. In addition, the District's employees would benefit from ease of access to and availability of historical pay stub information.

Based on a March 28, 2008 sample of payroll transactions, the District issued 764 checks, of which 683 were direct deposited and 81 (or about 11 percent) were paper checks. The District has negotiated mandatory direct deposit for first year teachers and classified staff that began their service with the District after 1997. However, teachers can opt out of direct deposit after one year of service. Classified staff that began their service with the District prior to 1997 can also opt out of direct deposits.

The use of electronic pay stubs was recently negotiated for teachers, but has not yet been implemented. Electronic pay stubs are also provided for in the classified employee contract. However, an "opt out provision" is included and all classified employees chose to opt out of receiving electronic pay stubs.

According to the National Automated Clearing House Association (NACHA)/Electronic Payment Association, direct deposits can be very beneficial to both the organization and its employees. Furthermore, the Electronic Payment Association states that employers and employees can financially benefit from the use of electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The employer benefits because electronic pay stubs eliminate the need to print, mail, and distribute pay stubs or reproduce lost pay stubs. At the same time, the employee benefits because he or she can easily access their pay information from any computer with a browser and

internet connection. Also, a more extensive record of the employee's pay history is available, beginning with the first electronic pay stub. Electronic pay stubs also make it easy for employees to provide pay stub information to third parties, such as accountants, mortgage lenders, and other agencies requiring pay verification. Coventry Local School District (Summit County) successfully negotiated a mandatory direct deposit program for all of its employees, and has consequently seen improvements and cost savings in its payroll operations.

Computer access for bus drivers, cooks, and custodians would require GMLSD to address logistical issues with computer access. However, the District could issue e-mail addresses to these employees and allow limited access to its computers. In addition, the District could establish a centralized computer station during the summer months for employees to access their electronic stubs or send the pay stubs to private e-mail accounts.

Although the savings for direct deposit and electronic pay stubs is difficult to quantify, the District could save money from the cost of paper, envelopes, stamps, and associated time of the payroll department to process paper stubs. Also, the time Treasurer's Office employees spend on printing checks and pay stubs and stuffing envelopes could be allocated to other activities if direct deposits and electronic pay stubs were mandatory for all employees. Finally, the Treasurer's Office could avoid printing duplicate checks when checks and/or pay stubs are lost or accidentally destroyed.

R2.11 GMLSD should establish written payroll procedures that include comprehensive internal controls. These procedures should be included in a formal manual and updated as payroll processes change. Updated procedures for all payroll functions will help ensure the accuracy and efficiency of the payroll process.

GMLSD follows the Metropolitan Educational Council (MEC) payroll processing instructions and an internally created payroll processing checklist that encompasses all aspects of the payroll process. However, GMLSD does not have comprehensive written payroll processes that include internal controls over, or appropriate documentation of, payroll operations and functions.

According to *Recommended Practices- Enhancing Management Involvement with Internal Control* (GFOA, 2004),¹⁹ government entities should maintain clearly documented internal control policies over all program areas, which includes the payroll process. Internal controls should be evaluated periodically to ensure that those procedures are adequately designed to achieve their intended purpose, have actually been implemented, and continue to function as designed. Evaluations should also encompass the effectiveness and timeliness of the entity's response to potential control weaknesses.

¹⁹ <http://www.gfoa.org/downloads/caafmanaginternalcontrol.pdf>.

Assessing Internal Controls in Performance Audits (GAO, 1990)²⁰ recommends a government entity's system of internal controls be clearly documented and address the following issues:

- Recording of transactions and events;
- Execution of transactions and events;
- Separation of duties;
- Supervision; and
- Access to and accountability for resources.

Formal, written payroll processing procedures will ensure that appropriate internal controls exist over GMLSD's payroll operations. These practices promote accountability and accuracy within the payroll function, while reducing the risk of possible error.

R2.12 GMLSD should formally document its time and attendance policies and procedures and related internal controls. The policies and procedures should be included in the Board policy manual and communicated to all District employees. Written time and attendance policies would strengthen GMLSD's controls over this process, while decreasing the risk of inaccurate reporting and potential leave abuse. These policies and procedures should be reviewed on an annual basis and updated as processes change.

The Payroll Manager stated that a computerized system (spreadsheet) is used to track time and attendance for teachers and substitute teachers, while all other employees are required to submit timesheets. Payroll is approved by the principals for building employees and by the Superintendent for employees in the Administration Office. Timesheets must be submitted by the 15th and the 30th of each month. The Payroll Manager reconciles computerized reports that contain teacher time and attendance information with internal reports that the Payroll Department maintains.

A variety of forms are used to track time and attendance for purposes such as including another teacher's students in classroom activities (classroom absorption), use of free period to work, home instruction, and instruction via the District's virtual academy. Although the District's time and attendance processes and corresponding internal controls meet the majority of recommended practices, they are not formally documented in Board policy.

According to *Maintaining Effective Control Over Employee Time and Attendance Reporting* (GAO, 2003), control activities should provide reasonable assurance that (1) time and attendance transactions are properly authorized and approved and (2) time and

²⁰ <http://archive.gao.gov/t2pbat9/142503.pdf>.

attendance information is accurately and promptly recorded and retained. Furthermore, government entities should have a well-defined organizational structure and flow of time and attendance information with clearly written and communicated policies and procedures setting forth the responsibilities of employees, timekeepers, supervisors, and others regarding recording, examining, approving, and reporting time and attendance information.

Formal, written policies can help ensure that appropriate internal controls exist over GMLSD's time and attendance process. These policies can also help promote accountability and accuracy of employee records, while reducing the risk of possible error, overpayment, or abuse of leave.

R2.13 GMLSD should implement the recommendations contained in the performance audit to help offset projected deficits and allow the District to maintain a positive year-end balance through FY 2011-12. In addition, GMLSD should update its five-year forecast on a regular basis or whenever material changes in assumptions are made or unanticipated events occur.

By implementing the performance audit recommendations, including those subject to negotiation, GMLSD should be able to maintain a positive fund balance through FY 2011-12. **Table 2-3** demonstrates the impact of the recommendations on the five-year forecast ending fund balances, assuming the recommendations are fully implemented.

Table 2-3: Five-Year Forecast with Recommendations (in 000's)

	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
Revenue								
General Property Tax	\$23,497	\$20,751	\$21,628	\$21,014	\$21,329	\$19,288	\$19,503	\$19,698
Tangible Personal Tax	\$7,419	\$4,978	\$4,192	\$3,816	\$3,248	\$1,575	\$1,360	\$0
Unrestricted Grants-in-Aid	\$20,786	\$23,728	\$24,593	\$23,729	\$25,385	\$27,126	\$29,412	\$30,739
Restricted Grants-in-Aid	\$117	\$248	\$1,007	\$2,881	\$2,878	\$2,878	\$2,878	\$2,878
Property Tax Allocation	\$2,337	\$2,327	\$3,541	\$4,721	\$3,987	\$3,530	\$3,550	\$3,568
All Other Revenues	\$512	\$705	\$843	\$955	\$793	\$793	\$793	\$793
Total Revenues	\$54,668	\$52,737	\$55,803	\$57,116	\$57,622	\$55,191	\$57,497	\$57,677
Total Other Financing Sources	\$93	\$25	\$499	\$325	\$250	\$242	\$242	\$235
Total Revenues and Other Financing Sources	\$54,761	\$52,762	\$56,301	\$57,441	\$57,872	\$55,433	\$57,739	\$57,912
Expenditures								
Personal Services	\$28,591	\$28,734	\$28,821	\$28,183	\$29,169	\$30,200	\$31,278	\$32,406
ERIB	\$9,600	\$9,486	\$9,682	\$9,519	\$10,009	\$10,304	\$10,608	\$10,922
Purchased Services	\$10,705	\$11,667	\$14,407	\$16,014	\$16,628	\$17,262	\$17,923	\$18,613
Supplies and Materials	\$1,371	\$1,113	\$1,092	\$1,281	\$1,463	\$1,468	\$1,472	\$1,478
Capital Outlay	\$590	\$166	\$55	\$28	\$57	\$58	\$59	\$60
Total Debt Service (Principal, Interest and Financing Charges)	\$1,791	\$1,714	\$1,688	\$167	\$165	\$157	\$157	\$150
Other Objects	\$3,012	\$1,556	\$1,677	\$1,941	\$1,707	\$1,722	\$1,738	\$1,754
Total Expenditures	\$55,660	\$54,436	\$57,421	\$57,133	\$59,199	\$61,171	\$63,236	\$65,383
Transfers/Advances Out	\$149	\$2	\$0	\$476	\$165	\$157	\$157	\$150
All Other Financing Uses	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Performance Audit Recommendations (Net)	\$0	\$0	\$0	\$0	(\$1,176)	(\$3,097)	(\$3,244)	(\$3,396)
Total Expenditures and Other Financing Uses	\$55,811	\$54,438	\$57,421	\$57,609	\$58,188	\$58,230	\$60,149	\$62,137
Result of Operations (Net)	(\$1,050)	(\$1,676)	(\$1,120)	(\$169)	(\$315)	(\$2,797)	(\$2,410)	(\$4,225)
Balance 7/1	\$9,664	\$8,614	\$6,938	\$5,818	\$5,649	\$5,334	\$2,536	\$127
Cash Balance 6/30	\$8,614	\$6,938	\$5,818	\$5,649	\$5,334	\$2,536	\$127	(\$4,098)
Estimated Encumbrances 6/30	\$181	\$302	\$219	\$71	\$200	\$200	\$200	\$200
Total Reservations ¹	\$5,750	\$5,800	\$5,500	\$5,037	\$5,654	\$5,454	\$5,254	\$5,054
Reservation of Fund Balance								
Fund Balance 6/30 for Certification of Appropriations	\$2,683	\$836	\$98,904	\$541	(\$521)	(\$3,118)	(\$5,328)	(\$9,353)
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0	\$2,254	\$6,763	\$11,272
Unreserved Fund Balance June 30	\$2,683	\$836	\$98,904	\$541	(\$521)	(\$864)	\$1,435	\$1,919

Source: AOS

Note: During the course of the audit, the actual revenues and expenditures for Fiscal Year 2008 became available. The forecast was revised to include these amounts. The forecast is based upon information available at the time of the audit.

¹ This line item includes Textbooks and Instructional Materials, Property Tax Advance, and Bus Purchase.

Table 2-4 summarizes the cost savings associated with the recommendations contained within the performance audit. Some recommendations and the associated savings are dependent on the outcome of collective bargaining negotiations.

Table 2-4: Summary of Cost Savings

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Recommendations Not Subject to Negotiations				
R3.1 Reduce 5 FTE educational support staff	\$205,000	\$432,000	\$455,000	\$479,000
R3.2 Reduce 8 FTE ESP teachers and 2 FTE school nurses	\$310,000	\$653,000	\$688,000	\$724,000
R3.9 Increase employee contribution toward health insurance premiums to 15 percent for administrators	\$47,000	\$97,000	\$100,000	\$103,000
R3.11 Implement sick leave abuse policies and incentives to reduce sick leave use	\$0	\$38,000	\$77,000	\$116,000
R4.7 Reduce custodial staffing by 7.0 FTEs	\$127,000	\$265,000	\$276,000	\$288,000
R5.3 Reduce six school buses	\$307,000	\$307,000	\$307,000	\$307,000
R5.6 Collect motor fuel tax refund	\$11,000	\$11,000	\$11,000	\$11,000
R6.5 Charge proportional utility and trash collection expenditures to Food Service Fund	\$55,000	\$55,000	\$55,000	\$55,000
Sub Total Cost Savings Not Subject to Negotiation	\$1,062,000	\$1,858,000	\$1,969,000	\$2,083,000
Recommendations Subject to Negotiation				
R3.3 Phase out 6 FTE librarian positions and replace with library aides (Net Savings)	\$159,000	\$335,000	\$353,000	\$371,000
R3.9 Increase employee contribution toward health insurance premiums to 15 percent for certificated staff	\$0	\$744,000	\$766,000	\$789,000
R5.7 Negotiate with Contractor to replace school buses at 13 years of age instead of 11 years	\$0	\$47,000	\$47,000	\$47,000
R5.8 Negotiate with Contractor to allow the District to replace some special needs buses with taxicabs	\$0	\$207,000	\$207,000	\$207,000
Sub Total Cost Savings Subject to Negotiation	\$159,000	\$1,333,000	\$1,373,000	\$1,414,000
Total Cost Savings from Performance Audit Recommendations	\$1,221,000	\$3,191,000	\$3,341,000	\$3,498,000

Source: Performance audit recommendations

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

Table 2-5 summarizes the implementation costs associated with the recommendations contained within the performance audit. Each cost estimate is dependent upon GMLSD's decision to implement the associated recommendation and the timing of the implementation.

Table 2-5: Summary of Implementation Costs

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
R4.7 Increase maintenance staffing by 2.0 FTEs.	\$45,000	\$93,000	\$97,000	\$101,000
Total Implementation Cost	\$45,000	\$93,000	\$97,000	\$101,000

Source: Performance audit recommendations

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Human Resources

Background

This section focuses on the Groveport Madison Local School District (GMLSD or the District) human resources functions, including staffing levels, compensation, employee benefits, and negotiated agreements. Board governance was also reviewed. The purpose of this section is to analyze how well the District performs human resources activities in order to develop recommendations to improve efficiency and business practices. Recommendations also identify potential cost savings to assist the District in its efforts to address projected deficits. The District's human resource functions have been evaluated against leading practices, industry benchmarks, operational standards, the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), and selected peer districts.¹ Leading practices and industry standards were drawn from the Ohio Department of Education (ODE), the Society for Human Resource Management (SHRM), the Ohio Education Association (OEA), National School Boards Association (NSBA), International Public Management Association for Human Resources (IPMA-HR), and the State Employment Relations Board (SERB).

Organizational Structure and Function

GMLSD has 1.5 full-time equivalent (FTE) employees dedicated to performing human resource functions. This includes a Director of Personnel and Special Education and an Administrative Assistant. The Director conducts certificated employee recruitment, negotiates union contracts, and maintains personnel files. The Administrative Assistant helps maintain personnel files, including background checks and certifications; prepares reports and schedules interviews for the Director; and assists with reporting staff data in the Education Management Information System (EMIS). The Treasurer's Office assists in negotiating collective bargaining agreements, maintains files on salaries and benefits for each employee, and processes payroll. The Treasurer's Office also inputs payroll-specific EMIS information.

¹ Peer districts: Anthony Wayne Local SD, Lucas County; Canfield Local SD Mahoning County; Green Local, Summit County; Jackson Local SD, Stark County; Lake Local SD, Stark County; North Canton City SD, Stark County; Northmont City SD, Montgomery County; Poland Local SD, Mahoning County; Tipp City EVSD, Miami County; and Wadsworth City SD, Medina County.

Staffing

Table 3-1 compares GMLSD's FY 2007-08 staffing levels per 1,000 students educated² to the peer average for selected positions.

Table 3-1: Staffing per 1,000 Students Educated

	GMLSD	Peer Average	Difference
Administrators:	4.6	4.8	(0.2)
• Building Administrators	2.4	2.5	(0.1)
• Central Office Administrators	2.2	2.3	(0.1)
Finance & Accounting:	0.5	0.7	(0.2)
Office/Clerical:	5.3	6.8	(1.5)
Education Staff:	59.1	62.2	(3.1)
• Classroom Teachers	42.3	51.1	(8.8)
• Special Education Teachers	12.1	7.2	4.9
• Remedial Specialists/Tutors	2.1	2.9	(0.8)
• Other Educational Support	2.6	1.0	1.6
Teacher Aides:	7.9	6.6	1.3
Library Staff:	1.7	1.7	-
Computer Support:	0.7	0.6	0.1
Other Professionals:	0.0	0.1	(0.1)
Student Services:	4.6	4.3	0.3
Operations:	12.6	27.9	(15.3)
Total FTEs Reported	97.0	115.7	(18.7)

Source: GMLSD and peer district FY 2007-08 EMIS data.

Note: EMIS staff levels in some categories were adjusted based on discussions with GMLSD administrators. Totals may vary due to rounding.

Table 3-1 shows the District has a total of 18.7 fewer employees per 1,000 students educated than the peers. Most of this difference falls within the operations category (15.3 per 1,000 students). This broad category includes positions such as custodial, maintenance, groundskeeping, bus drivers, and food service personnel which are assessed in other sections of this report.

As shown in **Table 3-1**, GMLSD's Classroom Teacher FTEs per 1,000 students educated are below the peer districts. OAC § 3301-35-05 requires school districts to have at least one classroom teacher per 25 students and one ESP for every 200 students. Although the District is

² The number of students educated was calculated by taking the percent of time students were enrolled less the time students attend joint vocational schools, education service centers, and post-secondary programs. Staffing in some categories may not match other sections of this report because of differences in determining full-time equivalent positions and presentation of the data.

below the peers in classroom teachers, it is above the State minimum standards by about 22 teachers. The District could make reductions in classroom teachers in order to avoid deficits without dropping below the State minimum standards. However, such reductions could have a negative impact on the educational goals of the District. See also **R3.1** through **R3.3** for recommendations pertaining to District staffing.

Salaries

Table 3-2 shows selected FY 2007-08 average salaries and salary cost per 1,000 students educated in comparison to peer districts. It should be noted that average salaries are impacted by years of service, negotiated wage increases, step increases, other personnel benefits, and in some cases, educational level attained by the personnel within a category.

Table 3-2: Comparison of FY 2007-08 Average Salaries/Cost per Student

	Average Salaries			Salaries Per Student Educated		
	GMLSD	Peer Average	% Difference	GMLSD LSD	Peer Average	% Difference
Administrators:	\$86,989	\$78,196	11.2%	\$405	\$367	10.4%
Building Administrators	\$87,070	\$81,917	6.3%	\$210	\$202	4.0%
Central Office Administrators	\$86,902	\$73,988	17.5%	\$195	\$165	18.2%
Finance & Accounting:	\$70,933	\$55,994	26.7%	\$37	\$37	0.0%
Office/Clerical:	\$32,047	\$29,612	8.2%	\$169	\$197	(14.2%)
Education Staff:	\$58,383	\$52,823	10.5%	\$3,446	\$3,280	5.1%
Teacher Aides:	\$15,882	\$15,510	2.4%	\$126	\$116	8.6%
Library Staff:	\$65,108	\$31,743	105.1%	\$112	\$55	103.6%

Source: GMLSD and peer district FY 2007-08 EMIS data.

Note: GMLSD data was adjusted to reflect current staffing levels and correct coding inconsistencies.

Table 3-2 shows GMLSD's average salaries are higher for nearly every job category. When considering salary costs per student, finance & accounting and office/clerical positions are in line with or lower than peer districts. Implementation of the performance audit recommendations to reduce staff in the areas of educational support staff, educational support personnel (ESP), and librarians would help lower the District's overall salary cost per student in those categories (see **R3.1 –R3.3**).

A more in-depth analysis of compensation for certificated staff was conducted using the salary schedules of Canal Winchester LSD, Grandview Heights CSD, and Reynoldsburg CSD, districts that are located near GMLSD. A comparison of master's degreed teachers' 184 day step schedules revealed that GMLSD's salary for teachers with master's degrees is slightly lower than the peers for all steps on the salary schedule during a thirty year career.

Audit Objectives for the Human Resources Section

The following is a list of the audit objectives used to evaluate the District's human resource functions:

- How do staffing levels compare with other high performing districts?
- Is the District's compensation package in line with other high performing districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in line with peers and leading practices?
- Does the District effectively manage human resource issues?
- Does the District use human resources information technology to manage its human resources functions?
- Does the Board operate in an effective manner?

Recommendations

R3.1 GMLSD should consider eliminating a total of 5.0 FTE Educational Support positions funded from the General Fund to reduce personnel expenditures and bring support staff more in line with the peers. In particular, GMLSD exceeds the peers in the classifications of curriculum specialist and remedial specialist.

Table 3-3 shows a comparison of the District's FTE educational support staff per 1,000 students educated with the peer districts.

Table 3-3: Educational Support Staff per 1,000 Students

	GMLSD	Peer Districts	Difference
Curriculum Specialists	1.7	0.2	1.5
Remedial Specialists	1.7	1.0	0.7
Tutor/Small Group Instructors	0.4	1.9	(1.5)
All Other Educational Support Staff	0.9	0.8	0.1
Total Educational Support Staff	4.7	3.9	0.8
Total FTE Educational Support Staff Above/(Below) Peer Districts			4.6

Source: GMLSD and peer district FY 2007-08 EMIS data.

Note: EMIS staff levels in some categories were adjusted based on discussions with GMLSD administrators. Totals may vary due to rounding.

Table 3-3 shows that GMLSD employs 0.8 FTE more educational support staff per 1,000 students than the peer districts. A reduction of 4.6 FTEs would bring the number of educational support staff per 1,000 students educated in line with the peers. However, GMLSD should also evaluate the impact that reductions in this staffing category may have on its regular and special education personnel and its student-teacher ratios.

Financial implication: Reducing 5 educational support FTEs by January 2009 would save \$205,000 in salary and benefit costs in FY 2008-09 and \$432,000 in FY 2009-10. These savings would continue through the forecast period.

R3.2 GMLSD should consider eliminating a total of 8.0 Educational Service Personnel (ESP) teacher FTEs and 2.0 school nurse FTEs to bring the District's ESPs more in line with the peers.

Table 3-4 shows a comparison of the District's FTE Educational Service Personnel staff per 1,000 students educated with the peer districts.

Table 3-4: Educational Service Personnel per 1,000 Students

	GMLSD	Peer Districts	Difference
ESP Teachers	5.4	4.0	1.4
Counselors	1.7	2.1	(0.4)
Librarians / Media Specialists	1.7	0.6	1.1
School Nurses	0.8	0.4	0.4
Social Workers	0.0	0.0	0.0
Total ESP per 1,000 Students	9.6	7.1	2.5
Total FTE ESP Above/(Below) Peer Districts			14.5

Source: GMLSD and peer district FY 2007-08 EMIS data.

Note: EMIS staff levels in some categories were adjusted based on discussions with GMLSD administrators. Totals may vary due to rounding.

Table 3-4 shows that GMLSD has a total of 2.5 FTEs per 1,000 students more ESP than the peer districts. Specifically, GMLSD employs 1.4 more ESP teachers, 1.1 more librarians and 0.4 more school nurses per 1,000 students than the peers. GMLSD would have to reduce a total of 14.5 ESP positions to be in line with the peer districts on a per 1,000 student basis.

OAC § 3301.35.05 requires a minimum of 5 educational service personnel FTEs for each 1,000 students in the regular student population as defined in § 3317.023 of the ORC. The law specifies that educational service personnel shall be assigned to at least five of the eight following areas: counselor, library media specialist, school nurse, visiting teacher, social worker, and elementary art, music and physical education. Based on its regular student population, GMLSD needs a minimum of 23.6 FTE educational service personnel. In FY 2007-08, the District was nearly 32 FTEs above the State minimum requirement.

Financial implication: Reducing 8 FTE ESP teachers and 2 FTE school nurse positions by January 2009 would save \$310,000 in salary and benefit costs in FY 2008-09 and \$653,000 in FY 2009-10 through the end of the forecast period.

R3.3 GMLSD should renegotiate the provision in its collective bargaining agreement requiring it to employ 1 FTE librarian per school building. It should reestablish its management rights to tailor staffing to fit the needs and resources of the District. GMLSD could replace 6 of the 10 FTE librarian positions with library aides and maintain service levels at a lower cost to the District.

The District's collective bargaining agreement requires one FTE librarian in each elementary, secondary and middle school building. **Table 3-5** shows staffing levels per 1,000 students educated for librarians and library support staff in comparison to the peers.

Table 3-5: Library Staffing per 1,000 Students

	GMLSD	Peer Districts	Difference
Librarians / Media Specialists	1.7	0.6	1.1
Library Aides, Techs. & Audio Staff	0.0	1.1	(1.1)
Library Staff per 1,000 Students	1.7	1.7	0.0
<i>Total FTE Library Staff Above/(Below) Peer Districts</i>			<i>0.0</i>

Source: GMLSD and peer district FY 2007-08 EMIS data.

Note: EMIS staff levels in some categories were adjusted based on discussions with GMLSD administrators. Totals may vary due to rounding.

Table 3-5 shows that while the District has the same overall level of library staffing as the peer districts, it has more librarians and fewer library aides. The District employs 10 FTE librarians, one in each school building, but no library support staff. Conversely, the peer districts average 1.1 FTE library support staff per 1,000 students. If GMLSD could renegotiate the requirement to have full-time librarian positions and replace them with library aides, it would maintain service levels but reduce its overall personnel cost in this operational area.

Financial implication: If GMLSD successfully renegotiated the provision in its collective bargaining agreement that requires one librarian per elementary school and replaced the positions with library aides, it could achieve an estimated annual net savings \$335,000 in salary and benefit costs starting in FY 2009-10.

R3.4 GMLSD should develop a formal staffing plan to address its current and future staffing needs. The District should consider establishing staffing allocations for administrative, certificated, and classified personnel. This will help ensure it is proactively addressing its staffing needs and meeting State and federal requirements. Likewise, the plan should illustrate how staffing needs and related costs impact the District's financial condition.

GMLSD does not have a staffing plan. According to the certified negotiated agreement, the District generally maintains a maximum of 30 students per classroom.

According to *Strategic Staffing Plans* (SHRM, June 2002), 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), emphasizing that staffing plans tied to strategic plans and organizational needs can help organizations better meet the constraints of their operating environments.

Without a formal staffing plan that incorporates required versus ideal staffing levels, GMLSD does not have an effective way to ensure a consistent and efficient allocation of staff to meet its academic and fiscal needs. A plan would not only help the District identify where potential reductions could be made, if needed, but also help it explain why and how it will achieve certain levels of service in accordance with its strategic plan. Without appropriate staffing, GMLSD may not be able to achieve its academic mission and may not be meeting the District's operational needs.

R3.5 GMLSD should document procedures to strengthen its policy making and review processes. The District should ensure Board policies define goals and objectives, reflect the Board's vision, allow for flexibility, and include performance measures. In addition, the District should ensure that policies clearly delineate the roles and responsibilities of individual Board members.

GMLSD has policies, which are available online and which direct the Board's governance and operations. The District receives policy updates from the Ohio School Boards Association (OSBA) as needed. In addition, two Board members have formed a policy subcommittee to create or revise policies as needed. However, several Board members felt that the Board could do a better job developing and reviewing District policies.

According to the National School Boards Association (NSBA), policies should define goals and objectives, allow operational flexibility, reflect the board's vision, define roles and responsibilities, and include measurable outcomes. The board usually relies on the administration for the enforcement and periodic evaluation of board policies. The board may adopt a policy requiring the superintendent to call attention to policies that are out-of-date or need revisions.

When written properly, board policies can articulate the board's vision, show a businesslike operation, give credence to board actions, establish a legal record, foster stability and continuity, give the public a means to evaluate performance, clarify relations, improve staff morale, save time, aid in orientations, and provide a sound basis for appraisal and accountability.

GMLSD's Board could adopt and implement NSBA recommended practices for board policies at no additional cost to the District. Applying recommended practices would enhance the utility and clarity of Board policies and make them more relevant to GMLSD operations.

R3.6 GMLSD's Board should develop a method for evaluating itself. Self-evaluations would allow the Board to formally evaluate past and future goals for the District. Self evaluations could also assist the Board in improving internal communication

and strengthening the process of acting as the governing voice of GMLSD, ultimately improving its service to the District. In developing the evaluation tool, the Board should consider the standards set by NSBA.

While the Board evaluates the Superintendent and Treasurer at least once per year, it does not perform self evaluations. However, Board members noted that they recognize the value of a self evaluation tool and, during interviews, expressed interest in implementing the practice.

According to NSBA, a district's board of education should conduct regular self evaluations in addition to regular evaluations of its Superintendent and Treasurer. While there is no right or wrong way, evaluations should be based on pre-determined goals and expectations.

Self-evaluations could help GMLSD Board members learn areas of strengths and weaknesses and, therefore, areas for improvement. Evaluations by the Board of the Superintendent and Treasurer help strengthen these relationships, assess strengths and weaknesses, provide documentation, provide a basis for reinforcing good work, measure job performance, etc. By implementing a self evaluation process, the GMLSD Board will be able to evaluate its achievement of District goals and apply strategic management practices to District governance.

R3.7 GMLSD should bolster its efforts to train existing and new Board members. Much of this training could be done in-house by administrators and senior Board members. At a minimum, all new Board members should attend the OSBA training at the beginning of their terms and as needed thereafter.

Newly elected GMLSD Board members have not received an official orientation or training. According to *Becoming a Better Board Member* (NSBA, 2006), orientation and reference material should be made available to new board members. The following are five resources, with examples of each, which should be included in an orientation packet:

- **School-community relationships and general responsibilities:** A personal copy of written board policies and administrative rules of the district; minutes from the past year's board meeting; an explanation of school board organization (officers, standing committees, etc.); a list of board member development opportunities throughout the year; an explanation of how board meetings are conducted, including parliamentary procedures; and an explanation of the authority and responsibilities of the board, superintendent, administrators, and individual board members.

- **School finance:** A copy of the district’s budget, an explanation of the funding process and assessed valuation and tax structure of the school district, data on district per pupil cost and expenditures, State and federal mandate information, and a description of enrollment trends and projections.
- **Curriculum and instruction:** A copy of the district’s written statement of educational philosophy, the latest short- and long-range goals, an explanation of curriculum required standards and overall curriculum programs, student dropout and post high school education statistics, teacher-pupil ratios, age and condition of textbooks and technologies, and the district’s technology plan that outlines what instructional technology is needed.
- **Administration and staff:** An organizational chart of the school district’s management structure, a copy of job descriptions of top administrators, recruitment procedures, an explanation of the District’s orientation program for new teachers, the staff development program, and a copy of the district’s collective bargaining agreement(s).
- **School district facilities:** A list showing the number of, location, and condition of schools and other buildings owned or operated by the district; a description of the district’s building maintenance program; an explanation of the student transportation system; and attendance zones of the district.

In addition to orientation for new Board members, the OSBA recommends that Board members regularly attend meetings and conventions sponsored by school administrators and board associations in order to stay current on issues and obtain advice and perspectives from others facing similar challenges.

Board orientation and ongoing training helps Board members better understand the conditions of the District, which enables the Board to better fulfill its duties. Ongoing training will help keep Board members apprized of new directions in school law and education, and enhance the decision-making capacity of the Board.

R3.8 GMLSD should conduct annual employee surveys to measure employee job satisfaction. The survey should address factors such as work environment, quality of supervision, safety, District-wide support, and opportunities for professional development. Climate surveys provide employees with a formal mechanism to provide feedback on various issues within the District. If used properly, employee feedback can lead to changes that result in a more productive work environment.

GMLSD does not conduct regular, District-wide employee surveys. The District has a policy, “Staff Involvement in Decision-Making,” that acknowledges the importance of

employee input. However, there is no process in place to routinely gather and analyze employee input. Instead, employee grievances and ideas are received through an “open door” Board policy and informal conversations. Feedback regarding professional development and the teacher evaluation process are obtained through committees organized for those purposes.

According to *Soliciting Employee Feedback: Getting Results* (SHRM, 2004), a company can only be as good as its employees. Therefore, it is important to get their feedback and respond to their needs, their ideas and their suggestions. Asking employees what they are thinking can generate higher retention rates, lower absenteeism, improved productivity, better customer service, and better morale. Surveys are the most effective way to tap into the thoughts of the workplace, and soliciting feedback should be a regular part of the HR function.

By conducting annual employee surveys, the District would ensure that it measures and acknowledges employee satisfaction on such factors as work environment, quality of supervision, safety, and District-wide support. Employee surveys provide opportunities for the District to obtain feedback and suggestions for improvements. Surveys also reveal employee problems or unresolved issues that the District can resolve through appropriate actions. GMLSD could implement employee surveys at a nominal cost.

R3.9 GMLSD should require administrative and non-bargaining unit staff to contribute 15 percent of healthcare insurance premiums and negotiate a 15 percent contribution with the Groveport Madison Local Education Association (certificated staff). Moreover, the District should negotiate less restrictive language in its bargaining agreements to enable adjustments to the health insurance plans in order to reduce the impact to the General Fund from increases in the cost of insurance benefits.

The District has three separate collective bargaining agreements that specify cost sharing ratios for health insurance premiums. Each agreement requires different cost sharing ratios. **Table 3-6** shows cost sharing ratios for members of bargaining units as well as administrative and non-bargaining unit members.

Table 3-6: Insurance Cost Sharing Analysis

Type of Coverage	Monthly Premium	Monthly Board Share	Monthly Employee Share	Employee Percent Contribution	SERB Average 2008	OEA Average 2008
Medical						
PPO-Single						
OASPE 312	\$449.81	\$382.34	\$67.47	15.0%	13.6%	9.0%
OASPE 787	\$449.81	\$314.87	\$134.94	30.0%	13.6%	9.0%
GMLEA	\$449.81	\$449.81	\$0.00	0.0%	13.6%	9.0%
Administrative	\$449.81	\$449.81	\$0.00	0.0%		
Non-Bargaining Unit	\$449.81	\$382.34	\$67.47	15.0%		
PPO-Family						
OASPE 312	\$1,105.83	\$774.08	\$331.75	30.0%	15.7%	10.0%
OASPE 787	\$1,105.83	\$387.04	\$718.79	65.0%	15.7%	10.0%
GMLEA	\$1,105.83	\$1,105.83	\$0.00	0.0%	15.7%	10.0%
Administrative	\$1,105.83	\$1,105.83	\$0.00	0.0%		
Non-Bargaining Unit	\$1,105.83	\$939.96	\$165.87	15.0%		
HMO-Single						
OAPSE 312	\$430.07	\$382.34	\$47.73	11.1%	13.6%	9.0%
OAPSE 787	\$430.07	\$344.06	\$86.01	20.0%	13.6%	9.0%
GMLEA	\$430.07	\$430.07	\$0.00	0.0%	13.6%	9.0%
Administrative	\$430.07	\$430.07	\$0.00	0.0%		
Non-Bargaining Unit	\$430.07	\$365.56	\$64.51	15.0%		
HMO-Family						
OAPSE 312	\$1,057.32	\$774.08	\$283.24	26.8%	15.7%	10.0%
OAPSE 787	\$1,057.32	\$422.93	\$634.39	60.0%	15.7%	10.0%
GMLEA	\$1,057.32	\$1,057.32	\$0.00	0.0%	15.7%	10.0%
Administrative	\$1,057.32	\$1,057.32	\$0.00	0.0%		
Non-Bargaining Unit	\$1,057.32	\$898.72	\$158.60	15.0%		

Source: GMLSD, SERB 2007 report, and OEA 2008 report.

The cost sharing rates in **Table 3-6** are based on the bargaining unit's contract provisions, and ranges between 0 and 65 percent depending on the type of plan and the bargaining unit. Neither certificated nor administrative employees have traditionally been required to pay toward the insurance premiums. However, the certificated staff are required to pay twenty dollars toward the family insurance premiums beginning July 1, 2008. The OAPSE 312 and OAPSE 787 bargaining units have employee cost sharing rates that meet or exceed the SERB and OEA averages. The OAPSE 312 bargaining contract requires the Board to apply the same dollar amount paid by the Board for the PPO plan toward the HMO plan.

Employee cost sharing should, at a minimum, be in line with industry averages. However, the comparison in **Table 3-6** illustrates a high degree of inequality in cost sharing requirements among staffing categories. Because GMLSD is faced with a General Fund deficit, it should consider implementing a 15 percent cost sharing practice for administrative staff and attempt to negotiate a 15 percent cost sharing practice for certificated staff.

Financial Implication: If the District requires 15 percent of health insurance premiums be paid by administrative staff starting in January 2009, the cost savings would be approximately \$47,000 in FY 2008-09 and \$94,000 in FY 2009-10. Further, if a 15 percent cost sharing provision is negotiated for certificated staff beginning in FY 2009-10, the District could realize an estimated \$767,000 in annual savings.

R3.10 GMLSD should seek to renegotiate provisions within its employee bargaining agreements that exceed industry standards. Additionally, the District should seek to renegotiate contract provisions that impair its right to determine matters of inherent managerial policy.

Certain provisions in the District's certificated and classified agreements – such as the number of school days, sick leave accrual amounts and severance payouts, classroom size, sick leave incentives, and number of holidays – were compared to State minimum standards and leading practices. The following areas in GMLSD's certificated and classified contracts exceeded benchmark provisions:

Sick Leave Accrual/Severance Payout: According to the District's certificated agreement, all full-time teaching staff are allowed to accrue an unlimited amount of sick leave. Further, the agreement states that severance pay shall be for the employee's accrued but unused sick leave days at the time of retirement, based on one-fourth of the value of the accrued. There is no limit to the number of days that can be paid out. GMLSD's classified employee agreement also provides unit members with unlimited sick leave accrual; however, it has a severance payout limitation of 90 days. The District's teaching aide contract also allows unlimited sick leave accrual, but the severance payout is limited to a maximum of 75 days.

ORC § 3319.141 states that school employees can accrue sick leave up to 120 work days. More can be approved by the local board of education. According to ORC § 124.39, an individual who retires from active service with ten or more years of service with the State is entitled to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit, up to a maximum of 30 days. A policy can be adopted allowing an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of 30 days, or allowing the number of years of service to be less than ten.

The peer districts³ do not have unlimited accumulation provisions in the bargaining agreements. Each has a maximum accrual rate and limited severance payout. The average sick leave accumulation is 283 days. The average severance payout is limited to a maximum of 68 days upon retirement. GMLSD should attempt to negotiate a limit on the maximum accumulation of sick leave days in the certificated agreement and a cap on the severance payout that is closer to the peer district average.

Paid Holidays: According to the District's OAPSE 787 and 312 bargaining agreements, the provision for paid holidays exceeds the State minimum requirement of 7 paid holidays. The OAPSE 787 agreement, which is specifically for teaching aides, allows 13 paid holidays, and the OASPE 312 agreement allows 12 paid holidays.

ORC § 3319.087 lists the 7 holidays to which all regular non-teaching 11 or 12 month school employees are entitled. Providing additional paid holidays reduces staff productivity. The peer bargaining contracts also provide holidays above the ORC requirement. However, the peer bargaining contracts entitle unit members to an average of 10 paid holidays. At a minimum, GMLSD should seek to renegotiate its holiday schedule to the peer average of 10 paid holidays.

Management Rights: According to ORC § 4117.08, unless a public employer agrees otherwise in a collective bargaining agreement, nothing in Chapter 4117 of the Revised code impairs the right and responsibility of each public employer to determine matters of inherent managerial policy which include, but are not limited to, areas of discretion or policy such as the function and programs of the public employer, standards of services, its overall budget, utilization of technology, and organizational structure. Other areas of management rights include:

- Directing, supervising, evaluating, or hiring employees;
- Maintaining and improving the efficiency and effectiveness of governmental operations;
- Determining the overall methods, processes, means, or personnel by which governmental operations are to be conducted;
- Suspending, disciplining, demoting, or discharging for just cause; or laying off, transferring, assigning, scheduling, promoting, or retaining employees;
- Determining the adequacy of the work force;
- Effectively managing the work force; and,
- Taking actions to carry out the mission of the public employer as a governmental unit.

³ Tipp City was not included in the comparison.

The employer is not required to bargain on subjects reserved to the management and direction of the governmental unit except as it affects wages, hours, terms and conditions of employment, and the continuation, modification, or deletion of an existing provision of a collective bargaining agreement. Several provisions were identified in the certificated bargaining contract which govern areas typically reserved as management rights or appear to be items that would be covered in personnel or departmental policies and procedures. These included the following:

- School calendar committee;
- Tax sheltered annuities;
- Classroom relocation;
- Staffing levels;
- Written copies of policies;
- School consolidation;
- Forms manual;
- Medical provider's explanation of benefits;
- Grants;
- Acceptable use of technology policy;
- Computerized attendance and grades;
- Board and Treasurer's office forms; and,
- Evaluation instruments.

Because of prior negotiations, the abovementioned provisions, usually matters of inherent managerial prerogative, are now subject to collective bargaining. As a result, these items cannot be changed, modified, or deleted at management's discretion, nor can they be tailored to meet management's operational needs. Successfully negotiating these provisions out of the bargaining agreements during the next round of collective bargaining will enable the District to make management policy changes and modifications in a manner that is more responsive to the District's business needs. The provisions mentioned above could then be included in a personnel manual which could be developed at a minimal cost to the District.

R3.11 GMLSD should take steps to reduce sick leave use by strengthening its policies and procedures. Although the District tracks employee leave expenditures, it should also regularly monitor employee leave use to identify potential patterns of abuse. Furthermore, the District should continually evaluate the effectiveness of its sick leave incentives and consider establishing a reduced compensation rate or percent of pay for sick leave used based on the amount of sick leave taken annually by the employee.

The District's sick leave policy provides its employees with an accrual rate of 1.25 days per month for a total of 15 days of sick leave per year. Although the District's policy provides a list of appropriate instances for the use of employee sick leave, there is opportunity for the District to expand the language and develop more in depth policies to reduce the rate of sick leave taken by employees. **Table 3-7** compares GMLSD sick leave usage per employee to the State average.

Table 3-7: Sick Leave Use Comparison

	Total Leave Days Used	Number Employees	Leave Days Per Employee	State Average Leave Per Employee	Leave Days Above State Average
Certificated	4268	401	10.64	6.82	3.82
Classified	1617	179	9.03	6.89	2.15

Source: Groveport Madison LSD FY 2006-07 sick leave usage report and Ohio Department of Administrative Services.

As shown in **Table 3-7**, the District's certificated and classified employees used an average of 3.82 and 2.15 more days of sick leave than the State averages, respectively. The District's classified contract provides a sick leave incentive for employees to earn a monetary reward if sick leave is not used. However, the District's certificated contract does not have a similar provision. Each contract has established procedures to follow for sick leave use but the results presented in **Table 3-7** suggest that the District's policies and procedures should be re-evaluated to ensure that the District is successful in deterring excessive leave use and improving employee productivity.

Absence Management: Strategies for Curbing Absenteeism in the Workplace (IPMA-HR, 2003) suggests that while discipline is necessary in many cases of excessive absenteeism, non-punitive steps can be taken to help improve managing employee attendance. The following are recommendations aimed at limiting and reducing employee absenteeism:

- Employers should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.
- Document employees' absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism among specific individual employees or whether absenteeism is a chronic problem throughout the organization.
- Hold supervisors accountable for good attendance. Managers should be aware of each employee's attendance patterns and be instructed to look for performance problems. Supervisors should document chronic absenteeism, and speak privately

with repeatedly absent employees as soon as possible after their absences, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.

- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.

The District, through its Human Resources Department, should examine absentee history and other data to help it better identify and manage problem areas. In addition, by diagnosing and applying strategies to change the organizational climate, the District may eliminate those factors contributing to higher rates of sick leave usage.

Additionally, the District could consider developing a sliding pay scale for levels of sick leave used similar to the scale provided in the *State of Ohio and the State Council of Professional Educators FY 2006-2009 Bargaining Contract*. The State's compensation provision for sick leave use could provide an example for the District to consider when establishing a reduced pay schedule. In the State bargaining contract, compensation for charged sick leave is based on the number of sick leave hours used on an annual basis:

- 100 percent of the employee's regular rate for 1-40 hours of sick leave used; and
- 70 percent of the employee's regular rate for 40.1 plus hours of sick leave used.

Expanding on its sick leave policies and incentives will enable the District to become more effective in monitoring and reducing the amount of sick leave used by its employees. In turn, the District could reduce substitute teacher expenses and improve employee productivity.

Financial Implication: If the District is able to reduce the number of sick days taken by certificated staff evenly over a three-year period, it would save an estimated \$38,000 in FY 2009-10, \$77,000 in FY 2010-11, and \$116,000 in FY 2011-12 through reduced substitute teacher expenses. Estimated cost savings for classified staff could not be quantified.

Financial Implications Summary

The following table is a summary of estimated annual cost savings. Implementing some of the recommendations would require agreement from the affected collective bargaining units.

Financial Implications for Human Resources

Recommendations	Estimated Annual Cost Savings ¹
R3.1 Reduce 5 FTE educational support staff.	\$432,000
R3.2 Reduce 8 FTE ESP teachers and 2 FTE school nurses.	\$653,000
R3.3 Replace 6 FTE librarian positions with library aides. ²	\$335,000
R3.9 Increase employee contribution toward health insurance premiums to 15 percent for administrators and certificated staff. ²	\$861,000
R3.11 Implement sick leave abuse policies and incentives to reduce sick leave use.	\$77,000
Total Estimated Savings	\$2,358,000

Source: AOS recommendations

¹ Savings based on implementation in FY 2009-10.

² Implementation is subject to negotiations.

Facilities

Background

This section focuses on custodial and maintenance staffing, operations, and expenditures in the Groveport Madison Local School District (GMLSD or the District). The District's operations were evaluated against best practices, peer districts,¹ and operational standards including the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), the International Sanitary Supply Association (ISSA), the United States Department of Energy (DOE), the Government Finance Officers Association (GFOA), the Texas School Performance Review (TSPR), and leading practice school districts.²

Summary of Operations

GMLSD has ten school buildings: six elementary schools, two middle schools, a junior high school, and a high school. The District uses fourteen modular classrooms at the high school, two of which are Board-owned and twelve that are leased. Two additional modular units, both leased, are used at Groveport Elementary. In addition, GMLSD owns a bus garage next to the high school and a six-bay maintenance garage located on the junior high school campus. The District leases its administrative office space.

Several GMLSD school buildings share adjacent campuses: Glendening Elementary and Middle School South; Sedalia Elementary and Middle School North; and Groveport Elementary and Groveport Madison Junior High School. The latter two buildings are the oldest schools in the District; Groveport Elementary was built in 1924 as the District's original high school, and the Groveport Madison Junior High was built in sections during the 1950s to accommodate a growing student population. The two buildings are connected by a walkway which allows students at Groveport Elementary to use the cafeteria and a few classrooms in the junior high school building. GMLSD's other schools were built during the 1960s and 1970s. In 2002, GMLSD added an auditorium and stadium at the high school campus.

GMLSD has experienced space constraints and has employed a variety of strategies in recent years to provide adequate classroom space. Modular classrooms were leased in order to accommodate the classroom space requirements of the District. Starting in FY 2004-05, the

¹ The peers include: Anthony Wayne LSD (Lucas County), Canfield LSD (Mahoning County), Green LSD (Summit County), Jackson LSD (Stark County), Lake LSD (Stark County), North Canton CSD (Stark County), Northmont CSD (Montgomery County), Poland LSD (Mahoning County), Tipp City EVSD (Miami County), and Wadsworth CSD (Medina County).

District developed a split session schedule for grades 7-12 in an effort to reduce overcrowding. Prior to this, GMLSD had used a traditional grade-level system with students in kindergarten (K) through grade 5 housed in the elementary schools, grades 6-8 in the middle schools, grade 9 in the junior high, and grades 10-12 in the high school. When the District moved to split sessions, the entire District was reconfigured so that elementary schools housed K-4 students, middle schools included grades 5 and 6, the junior high housed grades 7 and 8, and the high school held grades 9-12.

After implementing split scheduling, the community rejected a series of five bond levy proposals for new and expanded facilities. The GMLSD Board of Education (the Board) ended split sessions for junior high students for FY 2006-07 and ended them at the high school for FY 2007-08. In order to eliminate all split sessions, the District reconfigured grade levels: now students in grades K-5 attend elementary schools, students in grades 6-7 attend middle schools, grade 8 students attend the junior high, and students in grades 9-12 attend the high school. In addition, preschool programs are located throughout the District's elementary schools.

Although the community rejected several bond issues, GMLSD has been able to fund limited facility improvements through revenue received from an income tax revenue sharing agreement with the Village of Groveport. While the student population has not changed substantially in recent years, GMLSD has experienced fluctuations in enrollment which may have been caused, in part, by the alternative scheduling plans and from other educational alternatives in the District.

Staffing

The GMLSD Maintenance Department is responsible for the operation and upkeep of the District's facilities and grounds. Administrative functions are managed by the Business Director and his administrative secretary, who are not considered part of the Maintenance Department. The Department includes 36 custodians and 5 maintenance employees. **Table 4-1** illustrates Maintenance Department staffing levels and the number of full-time equivalent (FTE) employees performing the maintenance and custodial functions. FTEs were determined based on the actual number of hours devoted to each function during the school year.

Table 4-1: FY 2007-08 Maintenance Department Staffing

Classification	Number of Positions	Number of FTEs
Maintenance	5	5.0
Custodians¹	36	35.3
Elementary Schools	15	15.0
Middle Schools	7	7.0
Junior High School	4	4.0
High School ¹	10	9.3
Total	41	40.3

Source: GMLSD

Note: Custodial staff also clean the administrative office. However, since the assignment of staff to this building varies, the building was not included in the table.

¹ The high school uses a custodian to make food service deliveries to other buildings. This position is only included as 0.3 FTE in custodial duties.

As shown in **Table 4-1**, GMLSD has five maintenance workers. The Head of Maintenance and four maintenance staff perform all building maintenance except for maintaining the heating, ventilation, and air conditioning (HVAC) systems. GMLSD contracts for all emergency repair and preventative maintenance work on the HVAC systems.

Custodians are responsible for providing a clean and safe environment for the students and staff. Custodians report to their respective building principals. GMLSD schedules two shifts of custodians. Of the 35.3 FTE of custodians noted in **Table 4-1**, five are head custodians; one at each middle school, one at the junior high, and two at the high school. Groundskeeping functions are handled primarily by custodians, with time spent on these functions varying based on the size and conditions of the grounds. In addition, GMLSD hires temporary staff as needed to assist with mowing throughout the District.

Principals are responsible for creating performance checklists and for evaluating building custodians; however, the formality and use of these checklists varies widely between buildings. GMLSD offers no annual job training for maintenance and custodial workers.

Financial Data

Table 4-2 summarizes expenditures reported by the District to maintain and operate its facilities for FY 2004-05 through FY 2006-07.

Table 4-2: Historical Expenditures on Facilities

Cost Category	FY 2004-05	FY 2005-06	Percent Change	FY 2006-07	Percent Change
Salaries and Wages	\$1,414,238	\$1,442,165	2.0%	\$1,333,300	(7.5%)
Benefits	\$549,756	\$645,153	17.4%	\$615,165	(4.6%)
Purchased Services	\$2,073,703	\$1,717,622	(17.2%)	\$1,677,997	(2.3%)
Supplies and Materials	\$253,489	\$206,321	(18.6%)	\$206,115	(0.1%)
Capital Outlay	\$100,616	\$44,429	(55.8%)	\$34,462	(22.4%)
Capital Replacement	\$124,500	\$0	(100.0%)	\$16,828	n/a
Other	\$0	\$0	n/a	\$0	n/a
Total General Fund	\$4,516,302	\$4,055,691	(10.2%)	\$3,883,866	(4.2%)
Other Funds	\$391,594	\$398,963	1.9%	\$403,215	1.1%
Total All Funds	\$4,907,897	\$4,454,654	(9.2%)	\$4,287,081	(3.8%)

Source: GMLSD year-end financial records.

Note: Totals may not sum due to rounding.

As shown in **Table 4-2**, facility expenditures from the General Fund have been decreasing while expenditures from other funds have increased slightly. General Fund expenditures on facilities decreased 10.2 percent in FY 2005-06 due to cost-cutting measures implemented by GMLSD to avoid incurring a General Fund deficit that fiscal year. Although GMLSD had a 2.0 percent increase in salary and wage expenditures in FY 2005-06, the increase was offset by a 7.5 percent decrease in FY 2006-07 due to reductions in custodial staffing. Based on this analysis, GMLSD has been reducing expenditures in all categories except salary and benefits. An analysis of salary and benefits is provided in the **human resources** section of the audit.

Table 4-3 compares GMLSD's General Fund expenditures per square foot on facilities to the peer average.

Table 4-3: FY 2006-07 Facility Expenditures per Square Foot

Cost Category	GMLSD	Peer District Average	Above (Below) Peer Average	AS&U	Above (Below) AS&U
Salaries and Benefits	\$2.97	\$2.83	\$0.14	\$2.56	\$0.41
Utilities	\$1.35	\$1.74	(\$0.39)	\$1.71	(\$0.36)
• Gas	\$0.48	\$0.66	(\$0.18)	\$0.39	\$0.09
• Electricity	\$0.73	\$0.98	(\$0.25)	\$0.80	(\$0.07)
• Water & Sewer	\$0.14	\$0.10	\$0.04	n/a	n/a
• Other	\$0.00	\$0.00	\$0.00	\$0.52	(\$0.52)
Materials and Supplies	\$0.31	\$0.33	(\$0.02)	\$0.32	(\$0.01)
Other ¹	\$1.29	\$0.84	\$0.45	\$0.50	\$0.78
Total General Fund	\$5.92	\$5.74	\$0.18	\$5.09	\$0.83

Source: GMLSD FY 2006-07 year-end financial records. Peer data has not been tested. AS&U 2005-2007 Cost Reports

Note 1: Totals may not sum due to rounding.

Note 2: Some AS&U categories vary from USAS expenditure classifications. Where necessary, categories have been combined to more accurately reflect expenditures.

¹ "Other" category includes items that are not captured in purchased services, utilities, capital outlay, capital replacement, and all other miscellaneous expenditures.

As shown in **Table 4-3**, GMLSD's overall spending of \$5.92 per square foot from the General Fund is \$0.18 above the peer district average of \$5.74 and \$0.83 above the AS&U national median of \$5.09 per square foot. In addition to salaries and benefits, GMLSD's expenditures in the "other" category were \$0.45 higher per square foot than peer districts and \$0.78 higher per square foot than the national median. The bulk of expenditures in this category were purchased services for HVAC repair, mowing, painting, and roof repairs. Although **Table 4-2** indicates that expenditures have been reduced in the past two fiscal years in purchased services, the District has not maintained and updated contracts or bid out HVAC or mowing services (see **R2.9** in **financial systems** for a recommendation regarding contracts).

Table 4-3 also shows that GMLSD had significantly lower gas and electricity costs as well, contributing to a lower combined utility cost (\$1.35) compared to the peer averages (\$1.74) or the national median (\$1.71). GMLSD attributes its lower utility costs to energy conservation measures. (See **executive summary** for **noteworthy accomplishments**.)

In terms of costs for supplies and materials, GMLSD (\$0.31 per square foot) is consistent with both peers (\$0.33) and the national median (\$0.32). GMLSD works closely with a local vendor to create a cost-efficient supply list. Although purchasing occurs at the building level, each building has a supply budget and is restricted to the pre-approved list of products.

Audit Objectives for the Facilities Section

The following is a list of the audit objectives used to evaluate the District's facilities maintenance and operations function:

- How does the District's facility maintenance compare to the peers and leading practice organizational structure and staffing levels?
- Does the Maintenance and Operations Department have written operational procedures and performance standards that meet leading practices?
- Are District energy management practices comparable to leading practices?
- How effectively does the District use its buildings?
- Does the District have an effective and equitable system for managing maintenance needs?

Recommendations

Facilities Planning

- R4.1 GMLSD should develop a facilities master plan that contains elements of leading practices, including five-year capital improvements, current enrollment projections, and updated capacity analyses. The facilities master plan should be used as a road map for addressing future facility needs and planned educational programs, and be linked to the District's overall strategic plan. The master plan should be developed by a committee whose membership comprises a cross-section of school personnel, parents, students, and community members.**

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

GMLSD does not have a capital improvement plan or a facilities master plan. Moreover, it has not developed formal capacities for its buildings, nor has it created enrollment projections. According to the Business Director, enrollment projections are difficult to establish because actual enrollment is constantly fluctuating. During the course of the audit, GMLSD was undergoing an assessment from the Ohio School Facilities Commission (OSFC) that resulted in the development of enrollment projections and may lead to the beginnings of a facilities master plan.

To produce the District capacity and utilization rates displayed in **Table 4-4**, AOS used standard methodology for calculating school building capacity that is often employed by educational planners.

Table 4-4: Capacity and Utilization Rates FY 2007-08

Building	Building Capacity	Enrollment FY 2007-08¹	Building Utilization Rate
Asbury Elementary	418	448	107.2%
Dunloe Elementary	386	379	98.1%
Glendening Elementary	507	474	93.5%
Groveport Elementary	502	479	95.4%
Madison Elementary	393	413	105.1%
Sedalia Elementary	461	444	96.3%
Elementary School Total	2,667	2,637	98.9%
Middle School North	626	473	75.6%
Middle School South	531	491	92.4%
Middle School Total	1,157	964	83.4%
Groveport Junior High	564	489	86.6%
Junior High Total	564	489	86.6%
Groveport High School	1,299	1,649	127.0%
High School Total	1,299	1,649	127.0%
District Total	5,687	5,739	100.9%

Source: GMLSD District Floor Plans and ODE Student Enrollment FY 2007-08.

Note: Totals may not sum due to rounding.

¹ Enrollment data was adjusted for Groveport Madison High School to exclude 250 students (% of time) instructed at JVS or post-secondary institutions. Thus, the total differs from historical District enrollment.

As noted in **Table 4-4**, GMLSD has a district-wide utilization rate of 100.9 percent, which is well above the 85 percent industry benchmark considered to represent optimal utilization rates. All buildings except Middle School North are above the 85 percent utilization threshold. The high utilization rate has existed for a number of years as the District's enrollment has remained relatively steady. The utilization rate includes the modular units and would be higher without this additional capacity.

Creating a Successful Facilities Master Plan (DeJong, 2001) states that districts should develop long-term facilities master plans that contain information on capital improvements and financing, preventative maintenance and work orders, overall safety and condition of buildings, enrollment projections, and capacity analysis. The plans should be developed on foundations of sound data and community input. A facilities master plan, if developed appropriately, has the potential to significantly impact 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. According to *Educational Facility Master Planning* (SchoolFacilities.com, 2005), properly portraying building utilization and capacity is an important tool by which a district can promote building efficiency to the community and increase the likelihood of passing a levy. Yet,

understanding utilization and capacity and translating it clearly to the public can be a difficult task.

Preventative Maintenance for Local Government Buildings (Minnesota Office of the Legislative Auditor, 2000) states that a capital improvement plan is a schedule of capital improvement projects listed in priority order over a number of years (usually five or more). In contrast to the long-range facilities master plan, the capital plan is a set of proposed actions. It identifies specific projects to meet the needs identified in the long-range plan. Capital plans typically include remodeling and new construction as well as major maintenance projects.

Because of failed bond issues that have impacted the District's future facility plans, GMLSD has not developed a master facilities or capital improvement plan to address the condition and size of its buildings. Not having a facility master plan, though, has prevented the District from implementing a long-term solution to overcrowding. Without a facilities master plan including updated enrollment projections and utilization rates, GMLSD has not been able to adequately demonstrate the impact of overcrowding on its programs and its facility life cycles.

After OSFC completes its assessment, it will provide the District with a facilities plan, which is a good start toward developing a comprehensive facilities master plan. GMLSD should expand upon this initial document to include all elements of leading practices and then periodically update it. The completed plan, developed by a committee comprising a cross section of District stakeholders, will then provide a means for communicating the District's future vision about its facilities and learning space to the community. The facilities plan can include up-to-date data on the District's facilities, as well as strategies for implementation of key projects, including timelines, costs, and additional recommendations. It can also be incorporated into GMLSD's five-year capital improvement plan to guide specific actions in the near-term. When complete, it should be approved by the Board.

Furthermore, by developing and using a comprehensive facilities master plan, GMLSD would be able to more accurately plan for long-term trends in District enrollment or financial conditions. Including a five-year capital improvement plan and a preventative maintenance plan (**R4.2**) will help GMLSD ensure that facility needs are assessed on a regular basis and that it funds projects essential to protecting the condition and quality of its facilities. Incorporating these planning documents will not only assist the District in planning for its facilities needs, but it will also facilitate better communication with the community about its facility needs. By developing a comprehensive facility planning process supported by a five-year capital plan, the District will be better positioned to advance its educational mission through the quality and configuration of its facilities.

R4.2 GMLSD should use the OSFC facilities plan as a starting point to initiate an audit of its facilities and establish a formal preventative maintenance (PM) plan to extend the functional life expectancy of all District capital assets. The audit should track building condition and be updated on an annual basis to help the District better target its facility maintenance dollars to critical areas. The PM plan should strive to extend equipment and facility reliability based on a program of specific maintenance action steps based on manufacturer and industry leading practices. These steps should be incorporated into the District's work-order system, and be accompanied by a formal method for retaining the information collected through facilities audits and completed work orders.

GMLSD has no formal facility audit process and does not have a written PM plan. It also does not maintain documentation of PM activities performed. While the Business Director and the Head of Maintenance informally tour facilities to identify maintenance items, there is no routine PM work.

The Head of Maintenance indicated that his staff has conducted informal inspections such as identifying roof maintenance issues. However, during a walkthrough of the buildings, the Auditor noted extensive physical damage to the interior of school buildings from roof leaks and water damage. While audits and PM activities cannot prevent the eventual need for replacing the roof, leaks have caused significant interior water damage and increased the cost of repairs. In addition, these problems have the potential to cause environmental air quality problems from mold and mildew.

Planning Guide for Maintaining School Facilities (NCES, 2003) recommends that facility audits should be a routine part of the facilities maintenance program. A facility audit is a comprehensive review of a school district's buildings. The audits are a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. Facility audits are important because they help planners, managers, and staff know the condition of the facilities, service history, and maintenance needs. The audits rely on facts, not guesswork, to establish plans for maintaining and improving school facilities and allow in-depth analyses of product life-cycles to occur on a routine basis. Once initiated, audits must be performed on a regular basis (e.g., annually) because conditions change constantly. Further, by integrating the findings of annual audits over time, planners can uncover information on the impact of various maintenance strategies and the demands placed on the infrastructure. This information can be used to increase the efficiency and cost-effectiveness of maintenance efforts.

NCES also recommends that all school districts have well-designed facility management systems which generally encompass four categories of maintenance, including emergency (or response), routine, preventative, and predictive. A formal PM program focuses on regularly scheduled equipment maintenance to prevent sudden unexpected equipment

failure. NCES notes that many school districts practice “breakdown maintenance,” whereby maintenance problems are fixed as they occur. This method often defers major repairs and allows damage to compound over time. Preventative maintenance tasks can be scheduled through the work order system and are typically based on manufacturer recommended service intervals

NCES recommends that districts decide on the frequency and type of inspections needed for the items (structures, equipment, and systems) that are to be included in the PM plan. Usually, equipment manufacturer manuals offer guidelines on the frequency of PM and list the items that need to be maintained on the equipment. Also, many manufactures will assist customers in setting up PM plans. Depending on the needs and circumstances in the district, the following items can be incorporated into a PM plan:

- Access controls;
- Boilers;
- Electrical systems;
- Energy management systems;
- Fire alarm systems;
- Floor covering, including gym floor care;
- HVAC systems;
- Hot water heaters;
- Kitchens;
- Painting;
- Plumbing;
- Public address systems and intercoms; and
- Roofing care.

In particular, NCES mentions the need for including roof repairs on a regular schedule. All leaks and damaged tiles should be repaired as soon as possible to prevent water damage and mold growth.

The Business Director stated that because of the age of much of the District’s equipment, as well as funding limitations, he has not been able to focus much activity on PM functions. While roofing issues have been impacted by limited funding, the current condition (active leaks and water damage) of the building interiors as a result of roofing problems is in contrast to best practices identified by NCES. By allowing the problem to continue, GMLSD has incurred additional costs in terms of internal building damage.

By developing a PM program and committing District resources to critical repairs, GMLSD can avoid more costly repairs in the future. A formalized PM program would help to ensure maintenance is being performed as recommended by the manufacturers

and that major problems are regularly reported. The PM program should be linked to the capital improvement plan (R4.1) as planned activities should include major maintenance projects as well as remodeling and new construction. By examining its facilities on an annual basis and using a formal schedule for preventative and routine maintenance, GMLSD will be better able to plan and budget for capital expenses while reducing the impact of equipment breakdowns and facility maintenance issues.

R4.3 With the development of detailed planning documents for facilities assets (R4.1) and maintenance efforts (R4.2), GMLSD should also develop specific written guidelines for prioritizing the daily maintenance requests submitted through the District’s computerized work order system. Creating a formal written policy will assist personnel in recognizing and understanding District facility priorities, reduce the risk of favoritism, and improve overall communication levels. The guidelines should specify how to prioritize and schedule emergency issues, general health and safety risks, routine preventative maintenance activities, and unscheduled building requests. In addition, the Maintenance Department should more fully use the priority status field in the work order system to code requests, rather than allowing all requests to be identified with the same priority level.

GMLSD has a computerized work order system that allows building principals to place work order requests, “e-tickets,” into the system. Although the Business Director and the Head of Maintenance confer on the prioritization of the work order requests, there is not a formal written policy detailing the rationale for this ranking. Further, the work order request priorities are not changed in the system. Reviewing a large compilation of completed orders, the Auditor noted that all requests had a “medium” priority in the system.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends that a work order system should help the maintenance department to establish job priority status including identifying whether the task is routine, preventative, or emergency in nature. After assigning the status, the work order should be updated in the record so that the person who initiated it can view the status. Since GMLSD uses informal methods for prioritizing and does not update the computerized work order system, the District cannot ensure that the prioritization process is occurring based on consistent criteria or that all staff are receiving regular communication regarding the status of projects. The current Business Director bases his decision on his experience with the District and directs his staff to relay any work order delays through informal communication channels. By not documenting the process or identifying the project status, the District creates a potential opportunity for perceptions of preferential treatment.

Formally prioritizing work orders can help districts manage their workload in a more efficient manner and help to establish expectations for all staff. Creating guidelines for

prioritization would increase the efficiency of the Maintenance Department's response to important emergency situations. The Business Director would also spend less time each week sorting through a list of facility user requests and marking each request. Further, by better using the capability of the computerized work order system, GMLSD will be able to improve communication by alerting staff to the status of work order requests.

R4.4 GMLSD should establish a formal policy and procedures manual for its custodial and maintenance operations to help the staff better maintain functional, safe, and clean facilities and to perform at benchmark workload levels. Work processes, physical asset management, and resource management are the primary topics that should be covered in the manual. The manual should include specific instructions on the performance of routine and non-routine tasks and directions for operating any equipment to be used in completing the tasks. This manual should address topics such as the mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, vehicle use guidelines, security standards, and work order procedures. The District should review these policies and procedures annually and update them as necessary. In order to evaluate operating efficiency, it is important that the manuals contain performance measures that outline time and quality expectations. Performance evaluations, based on standards outlined in the manual, should be conducted annually to provide custodians with feedback on their performance (R4.5). The manual should also reference the preventative maintenance plan (R4.2) and describe how these tasks should be incorporated into the work schedule.

GMLSD has no custodial or maintenance procedure manuals or handbooks that describe regular District-wide routines. Several of GMLSD's building administrators use custodial duty checklists; however, the lists vary and provide only limited description of job responsibilities. In terms of maintenance, workers have duties assigned on an as-needed basis according to a print-out of work order requests.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible (perhaps through the District's intranet or Internet), and written at a level consistent with the reading ability of department members. NCES recommends that management:

- Establish goals;
- Create an evaluation instrument (e.g., a checklist);
- Be as detailed and specific as possible;
- Define the performance scale (e.g., 0 = poor to 5 = excellent);
- Be flexible (i.e., acknowledge extraordinary circumstances when they arise);
- Convey expectations to affected staff people; and

- Review the performance standards on a regular basis (e.g., annually).

The custodial procedures manual used by the Brevard County School District in Florida is considered to be an industry standard. The areas covered include:

- Supplies;
- Basic office cleaning;
- Restroom cleaning and sanitation;
- Hard surface floor maintenance, including:
 - Daily dust mopping;
 - Mopping;
 - Scrubbing;
 - Stripping and finishing; and
 - High speed burnishing.
- Classroom and corridor cleaning; and
- Basic carpet care.

Without a formal handbook that includes performance standards for the Maintenance Department, GMLSD cannot effectively communicate management expectations as to the quality of work and performance, nor can it ensure optimal efficiency. Outdated or informal policies and procedures could result in inconsistent and potentially inappropriate actions such as misapplication of cleaning chemicals or improper use of equipment. Both actions could potentially lead to dangerous or costly situations for the District. Written policies and procedures would provide a resource for Department staff, ensuring that issues are managed in a consistent manner. For example, sanitary procedures documented in a procedures manual could be consulted to ensure that appropriate techniques are applied in specific environments. In addition, written and clearly communicated policies and procedures establish performance expectations and help to provide an objective means for evaluating District staff (**R4.5**). Development of a policy and procedures manual could be implemented at minimal cost to the District.

R4.5 GMLSD should develop and implement formal performance standards and measures to consistently evaluate the efficiency and effectiveness of maintenance and operations personnel. The District should seek to maximize productivity through the development and implementation of specific performance measures including the number of square feet cleaned per hour or per shift, and costs per square foot. Stakeholder ratings regarding quality of service should be used in conjunction with national benchmarks to assist in establishing appropriate productivity measures. Increased efforts to measure and track performance can assist in improving decision-making and resource allocation, and may help reduce operating expenditures. Additionally, the District should evaluate the performance of all maintenance and operations staff on an annual basis. Performance measures

should be incorporated into the policies and procedures manual to ensure that all staff are properly informed of time and job duty expectations related to their positions (R4.4).

GMLSD does not have a formal plan for ensuring maximum productivity and does not compare benchmarks (e.g., cost per square foot, quality of service, or standards for productivity and performance) to national or District-established norms. Although the District evaluates employee performance through an annual performance review process, productivity and performance standards are not well-defined. Furthermore, the Maintenance Department does not consistently solicit customer input which could be helpful in making management decisions.

Best Practices in Public Budgeting (Government Finance Officers Association, 2000), recommends that organizations develop and utilize performance measures for functions, programs, and/or activities. Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable terms. Measures should be reported in periodic reviews of functions and programs and should be integral to resource allocation decisions.

Specifically for maintenance and operations management, according to *A Game Plan for Productivity: Tactics for Holding Down Labor Costs and Helping the Bottom Line* (FacilitiesNet, 1999), as managers measure the productivity of the custodial function and increase the productivity of the people that perform these activities, dollar savings typically result. Facilities managers who apply recommended practices can increase the productivity of their custodial operations by 10 to 25 percent and decrease the overall labor budget. Productivity measures should include the following elements:

- Square feet cleaned per hour or per shift;
- Costs per square foot to clean a facility;
- The quality of service;
- Definitions for productivity and performance; and
- Customer input.

Without performance standards and measures that are well-defined, the District limits its ability to objectively evaluate staff and organizational performance, and increases the risk of making uninformed decisions. Also, because the District fails to clearly define job responsibilities, employees may not be fully aware of expectations and duties. Implementation of performance standards and measures, coupled with formal job expectations, could raise the level of service provided by the Department at minimal cost.

R4.6 GMLSD should develop a survey of facility users to gather information that can be used to assess satisfaction with facilities and develop specific areas for improvement. By collecting this type of information and sharing the results with staff, GMLSD can improve communications and develop timely and comprehensive information on the performance of the Maintenance Department.

GMLSD does not conduct formal facility user surveys. One school principal indicated that a survey had been conducted at an administrative meeting. According to the principal, it was not a regular survey. The Business Director stated that informal “wish-lists” for facility improvements are collected annually from administrators.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), school districts should develop and integrate user feedback or customer satisfaction surveys as an evaluation tool for gathering information on user perceptions of the maintenance program.

By not conducting an annual facility user survey, GMLSD is missing an opportunity to gather important data about its maintenance and custodial operations from those who use the buildings on a daily basis. This information could assist GMLSD in identifying areas for improvement and assessing user satisfaction with school facilities.

Staffing

R4.7 GMLSD should adjust maintenance and custodial staffing to reflect national benchmarks by increasing maintenance staffing by 2.0 FTEs and reducing custodial staffing by 7.0 FTEs. These changes will bring Maintenance Department staffing closer to industry standards and better distribute the workload among existing employees. By developing performance standards and work expectations, the District will be able to develop staffing plans to formalize the methodology for identifying staffing needs and maintaining consistent and reasonable workloads.

GMLSD does not have a formal staffing plan or regularly use benchmarks to assess staffing levels. Assignments are made informally by reviewing a list of projects and determining needs.

Based on a review of the past five years of the annual *AS&U Maintenance & Operations Cost Study* (AS&U, 2003-2007),³ the national median for maintenance staffing is one maintenance worker per 92,000 square feet. In terms of custodial staffing, *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends a range of 28,000 to

³ These studies were the result of detailed surveys of business officials at school districts across the nation that collected information on staffing levels, workloads, facility expenditures, and salaries.

31,000 square feet per custodial FTE for school districts to maintain a level 3 of cleanliness, which NCES suggests is considered the norm for most school facilities, is acceptable to most stakeholders, and does not pose any health issues. Although a benchmark for custodial staffing is usually based on square footage alone, custodians at GMLSD also perform extensive groundskeeping duties. According to a review of the AS&U cost survey, a benchmark for the groundskeeping function is one grounds worker per 42 acres. Because the staff did not separately track groundskeeping hours, AOS adjusted the calculation of the benchmark for GMLSD's custodial staffing to include the groundskeeping duties.

Key statistics used to assess staffing levels based on FY 2007-08 data are presented in **Table 4-5**.

Table 4-5: Facility Staffing Level Benchmarks

GMLSD Statistics			
Total Number of Buildings ¹			11
Total Square Feet ²			670,952
Total Acres			172
National Maintenance Benchmarks			
Maintenance Standard - AS&U Cost Survey National Median ³ (Sq. Ft. per FTE)			92,000
Custodial Standard - NCES Planning Guide ⁴ (Sq. Ft. per FTE)			28,000
Groundskeeping Standard - AS&U Cost Survey National Median ³ (Acreage per FTE)			42
GMLSD Comparison to Benchmark			
	Benchmark	GMLSD	Over (Under)
Maintenance Staffing (based on Sq. Ft.)	7.3	5.0	(2.3)
Custodial Staffing (based on Sq. Ft. and Acres) ⁵	28.1	35.3	7.2
• Elementary Schools (247,309 Sq. Ft., 85.7 Acres)	10.9	15.0	4.1
• Middle Schools (169,780 Sq. Ft., 34.1 Acres)	6.9	7.0	0.1
• Junior High School (78,590 Sq. Ft., 6.5 Acres)	3.0	4.0	1.0
• High School (149,851 Sq. Ft., 46.3 Acres)	6.5	9.3	2.8
• Modularity and Administrative Offices (25,422 Sq. Ft., 0.0 Acres)	0.9	0.0	(0.9)

Source: GMLSD, NCES, and AS&U Magazine.

Note: Totals may vary due to rounding.

¹Includes the 10 schools and the administrative offices. GMLSD owns a maintenance building and a transportation building; however, custodial staff do not clean these buildings.

² Square feet includes 10,830 for administrative offices and 14,592 square feet to reflect the use of modular units.

³ The AS&U study is based on a national survey which is released in April each year.

⁴ According to the NCES, 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose any health issues.

⁵ The custodial staff at GMLSD have extensive responsibilities for groundskeeping in addition to their regular duties, so the recommended benchmarks for custodial tasks and groundskeeping were added to create these FTE statistics.

Table 4-5 illustrates that GMLSD has variances in the cost and efficiency of staffing in comparison to national benchmarks. While GMLSD has 5.0 FTEs of maintenance workers, the national benchmark for the District's square footage is 7.3 workers, which places it 2.3 FTEs below the recommended staffing level. Based on current staffing, each maintenance worker is currently responsible for (134,200) square feet rather than the national benchmark of 92,000 square feet.

Also, **Table 4-5** indicates that, based on these national statistics for square feet and acreage, GMLSD should have a staffing level of 28.1 FTE custodians. Thus, GMLSD is 7.3 FTEs above the national benchmark. In addition, GMLSD hires temporary staff to supplement groundskeeping functions (\$57,208 for FY 2006-07) and outsources services such as mop and carpet cleaning (\$21,407 for FY 2006-07).

With fewer maintenance workers than the median, GMLSD may be experiencing more costly maintenance repairs because staff do not have time for activities like preventative maintenance (PM). Shifting 2.0 FTE custodians to maintenance work would bring the workload ratio closer to the national median and help GMLSD to implement a more comprehensive and formal PM program for the District (**R4.2**). In addition, the District could reduce custodial FTEs by an additional 5 FTEs.

Without a staffing plan or performance standard, GMLSD has implemented staffing levels based on informal assessments of facility needs. Aligning staffing with national benchmarks will assist GMLSD in maintaining proper staffing levels and becoming more operationally efficient within each building. In addition, developing a formal staffing standard for the District (**R3.4**) will help GMLSD create consistent staffing levels linked to recognized performance standards (**R4.5**).

Because GMLSD outsources several services and uses temporary staffing, some District purchased services expenditures, such as the \$37,117 spent in FY 2006-07 for building painting, could potentially be performed by its staff. The savings from performing these types of tasks in-house would net an additional cost savings for the District.

Financial Implication: Eliminating 5.0 FTE custodial positions would save approximately \$181,000 in salaries and benefits in FY 2008-09. Additional savings of about \$80,000 could be achieved by bringing outsourced services back in-house.

Training

R4.8 GMLSD should offer annual training to custodial and maintenance staff and maintain training records for each employee. By having documented procedures and performance standards (R4.5), GMLSD can create a clear set of expectations, and therefore develop a more effective training program, which should improve

productivity and minimize overtime. With additional maintenance staff (R4.7) and better training, it may also be possible to reduce purchased services costs in the maintenance area. Formally documenting the completion of training programs will ensure that all employees have received appropriate training on an ongoing basis.

GMLSD offers no annual job training for maintenance and custodial workers. The District provides periodic OSHA-mandated health and safety trainings and non-compulsory training for custodians on light electrical work. According to the Business Director, vendor-based training is sought when new equipment is purchased, but no documentation was provided for any recent training.

The GMLSD Maintenance Department is understaffed (see **R4.7**) and therefore focuses limited resources on emergency response in a manner called a “breakdown maintenance” approach. In addition, several GMLSD custodians have worked in the District for over 20 years, so management considers them “trained” due to their experience. GMLSD may be incurring unneeded costs through contracting for specialized services that could potentially be completed in-house with highly trained and more efficient employees.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), preparing staff to get their work done properly, efficiently, and safely is cost-effective in the long run. Training should encompass the following areas:

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

21st Century Staffing (FacilitiesNet, 2002) notes that training is one of the most important ingredients for developing and maintaining an effective housekeeping work force because it improves customer satisfaction and employee morale, which in turn leads to less risk for costly waste and abuse.

Although several staff members in the GMLSD Maintenance Department have significant experience, the purpose of training is to discuss and develop common techniques, be updated on changes in District policies, and improve interpersonal and team-building skills. Training allows staff members to retain the skills necessary to perform at a satisfactory level on a day-to-day basis. GMLSD could improve Maintenance Department productivity and potentially reduce purchased services costs by providing formal training linked to documented work procedures and performance standards for both maintenance and custodial employees (see **R4.4**).

Financial Implications Summary

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

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings
R4.7 Reduce custodial staffing by 7.0 FTEs.	\$181,000
R4.7 Bring outsourced custodial and maintenance services back in-house	\$80,000
Total	\$261,000

Source: AOS recommendations

Transportation

Background

This section of the performance audit focuses on Groveport Madison Local School District's (GMLSD or the District) transportation operations. The District provides transportation services to its own students as well as students attending 48 different community and nonpublic schools. GMLSD has contracted with Petermann, LLC (Petermann or the Contractor) since March 20, 2004 to provide student transportation services. The District primarily offers yellow bus transportation for its eligible riders through its Contractor, using both Type I (Board-owned) and Type II (Contractor-owned)¹ buses for regular and special needs student riders. The current contract, signed in July 2007, was awarded for a period of three fiscal years, from FY 2007-08 through FY 2009-10, with years two and three each based on the Contractor meeting specific performance requirements in the prior year.

The District's Transportation Manager is an employee of the Contractor, as are all other transportation personnel. GMLSD's Business Director oversees the provision of transportation services by the Contractor, and no other GMLSD employees are involved in the transportation function. Routes and runs are determined by the Contractor and subject to District approval. GMLSD provides facilities for the maintenance and storage of buses, including both Board-owned and Contractor-owned buses.

GMLSD's transportation operations were evaluated against leading practices, operational standards, and selected peer school districts.² Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, to reduce costs. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), Ohio Department of Taxation (ODT), American Association of School Administrators (AASA), Government Finance Officers Association (GFOA), and American Public Works Association (APWA).

¹ ODE classifies pupil transportation ridership by the following types: Type I (riders on Board-owned yellow buses), IA (riders on another district(s) buses), II (riders on outsourced/leased, contractor-owned buses), III (riders on public transportation such as taxis), IV (payment in lieu), V (riders on Board-owned vehicles other than buses), VI (riders on privately-owned vehicles), and VII (community school riders).

² The peers include: Tipp City EVSD (Miami County), Canfield LSD (Mahoning County), Wadsworth CSD (Medina County), Lake LSD (Stark County), Poland LSD (Mahoning County), Jackson LSD (Stark County), Anthony Wayne LSD (Lucas County), North Canton CSD (Stark County), Northmont CSD (Montgomery County), and Green LSD (Summit County).

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 (K-8) who live more than two miles from their assigned schools. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to their students. In addition, 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), districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the student.

Transportation Policy

GMLSD's Board of Education (the Board) policy states that the Board provides transportation to resident elementary students in grades K-8, who live more than two miles from school, and for all students with physical or mental disabilities that make walking impossible or unsafe, as determined by the administration and Board. The policy identifies high school student transportation as optional. It also includes language that enables the District to approve residential areas from which students are provided transportation. In actual practice, the District transports all students who request it.

Operating Environment

GMLSD employs multi-tier routing (two-tier, and sometimes three-tier runs), staggered bell schedules, and some cluster stops to improve the efficiency of its routes. Bus routing is configured using routing software (Versa-Tran) operated by a trained routing specialist. According to the routing specialist, the software helps organize the routing information in an efficient manner and simplifies the task of routing buses. The District's bus routes have changed frequently based on changes in ridership over the years, and the number of active buses has fluctuated accordingly.

The bus garage is owned by the District and used by the contractor to house all the school buses used to serve the District. The bus garage is secure, well-lit, and enclosed by a locked fence. All buses are parked inside the bus garage each night. In addition, the fuel tank is located just outside the fenced-in area of the garage and is protected by a concrete block. A key card (or swipe card) is required to engage the fuel tank. Each key card is assigned to a specific bus and fuel consumption reports are generated for each individual bus.

Organizational Structure and Function

GMLSD's transportation operations fall under the direction of the Business Director, who reviews the Contractor's invoices for services rendered and assists the Contractor in resolving routing, scheduling, and other transportation-related issues. The transportation operation consists of 125 employees, all of whom are employed by the Contractor, and include 88 bus drivers, 4 substitute drivers, 24 monitors (bus aides), 3 full-time mechanics, and 6 office staff. The office staff supervise and manage the transportation operation and consist of a Garage Manager, Transportation Manager, Routing Specialist, Administrative Assistant, Disciplinarian, and Dispatcher. The Contractor is responsible for hiring and maintaining its administrative staff, drivers, bus aides, and mechanics; as well as for conducting background checks and drug testing.

T-forms are essential transportation-related forms used to report ridership (T-1) and cost (T-2) information to ODE and other stakeholders. GMLSD has historically misreported data in its T-forms, attributable to errors caused by an overall lack of internal controls and standard operating procedures (see **R5.2**). Appropriate changes were made to the T-1 report data to present a more reliable comparison with identified benchmarks.³ However, because the T-2 expenditure report data is considered to be of undetermined reliability, it has been excluded from this report.

Operating Statistics

The Contractor used 98 buses, including 88 active and 10 spare buses to provide transportation services to GMLSD students during FY 2006-07. The Contractor reduced the number of buses used to 89, including 77 active and 12 spare buses in FY 2007-08 (a total of 9 buses, or 10.1 percent fewer). In FY 2007-08, GMLSD provided transportation to 4,864 students, nearly 17 percent higher than the 4,176 students transported during FY 2006-07.

Table 5-1 compares the District's transportation statistics to the peer average. The number of riders increased significantly in FY 2007-08 while the number of active buses decreased, thus increasing efficiency. Consequently, the table compares GMLSD's FY 2007-08 statistics with peer district FY 2006-07 averages to reflect the current and more accurate picture of the District's transportation operations.

³ The number of special needs buses for FY 2008 was adjusted from 15 to 17, and regular buses for the same period were adjusted from 64 to 62. This figure has been further adjusted to 60 buses because one of the buses was removed from the fleet and is now used as a dedicated "band bus," and another has been reclassified as a spare bus.

Table 5-1: Pupil Transportation Operating Statistics

	GMLSD	Peer Average	Percent Above (Below)
Square Miles	42	34	23.5%
ODE Enrollment	6,110	4,206.1	45.3%
Total Students Transported (All Types)	4,864	2,921.6	66.5%
Total Yellow Bus Riders	4,825	2,877.7	67.7%
Regular Riders	4,655	2,846.7	63.5%
• Public (Regular Needs)	3,991	2,665.8	49.7%
• Non-Public	317	180.5 ¹	75.6%
• Community (Regular Needs)	347	4 ¹	8575.0%
• Special Needs	170	31 ²	448.4%
Buses ³			
• Regular Buses	60	36.8	63.0%
• Special Needs Buses	17	1.8	844.4%
• Active Buses	77	38.6	99.5%
• Spare	12	6.3	90.5%
Miles			
• Annual Routine Miles ⁴	1,210,680	418,014	189.6%
Operating Ratios			
• Daily Miles per Rider	1.39	0.79	77.0%
• Riders Per Square Mile	114.88	76.6	20.9%
• Enrollment Per Square Mile	145.48	142.47	2.1%
Regular Riders Per Regular Bus	77.6	79.6	(2.5%)
Yellow Bus Riders Per Active Bus	62.7	76.6	(18.2%)
ODE Efficiency Ratio	0.93	0.95	(2.2%)
Routine Miles Per Active Bus	15,723	10,761	46.1%
Spare Bus Ratio	13.5%	14.3%	(5.6%)
Percent Public Riders	82.7%	93.0%	(11.1%)
Percent Special Needs Riders	3.5%	0.9%	286.9%
Percent Non-Public & Community School Riders	13.8%	6.0%	127.5%

Source: GMLSD and ODE

Note: Peer averages and ratios may not foot and cross-foot due to rounding.

Note: This table compares GMLSD's FY 2007-08 riders per bus ratios with FY 2006-07 peer district average

¹ Excludes peers that reported zero Type I and II non-public/community school riders.

² Excludes peers that reported zero Type I and II special needs riders.

³ Includes Type I and II buses.

⁴ Trips necessary for the daily attendance of children in their educational programs. "Non-routine miles" typically refers to field trips and related trips for which expenditures are not reimbursed by ODE.

As illustrated in **Table 5-1**, GMLSD has a higher average daily membership (ADM) and is geographically larger than the peer average. It also transports 67.7 percent more yellow bus riders than the peer average, and is located in a densely populated, suburban setting. The high ridership levels can be attributed, in part, to a high percentage of non-public and community school riders, who the District is required to transport. GMLSD also has a larger bus fleet that travels more annual routine miles per active bus than the peers.

As **Table 5-1** shows, only 82.7 percent of GMLSD's riders are public riders compared with 93.0 percent for the peer district average. The regular riders per bus ratio at GMLSD (77.6) is approximately 2.5 percent below the peer average (79.6). When special needs students are included, GMLSD's riders per yellow bus ratio drops to 62.7, compared to the peer average of 76.6. This suggests that GMLSD is less efficient than the peers at transporting special needs students. Furthermore, while GMLSD has about 5.5 times as many special needs student as the peers, it uses nearly 9.5 times as many buses.

In addition, while GMLSD's number of square miles is 23.5 percent higher than the peer average, its routine miles per bus are 46.1 percent higher, which again suggests that GMLSD is less efficient in its routing. However, of the ten peer school districts used for comparison, nine do not transport any community school students. The one district that does transports only 4 community school students.

Audit Objectives for the Transportation Section

The following is a list of the questions used to evaluate the GMLSD transportation function:

- How do the District's transportation policy and procedures compare with leading practices and 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?
- Does the District have sufficient controls in place to ensure the security of its fuel?
- How does the District ensure it gets the best value when purchasing transportation related items, particularly its fuel?
- Is the District effectively and efficiently maintaining and managing its fleet?
- Is the District providing specialized transportation service in an effective and efficient manner?
- Is the District effectively managing its contracted transportation operations?

Recommendations

Policies, Plans, Procedures, and Guidelines

R5.1 GMLSD should update and enhance its transportation policies, plans, procedures, and guidelines to better reflect its position on transportation-related issues and provide clearer direction and guidance to school administrators. Inconsistencies within the transportation policy itself and with State requirements should be resolved. The transportation policy should address issues like the level of service, the efficiency expected of special needs transportation, and methods used to charge for the non-routine use of buses. In addition, the District should develop written procedures or guidelines for granting exceptions to the transportation policy, identifying hazardous areas, establishing fees for non-routine use of buses, and involving transportation personnel in the IEP for students with transportation as a related service.

GMLSD has a general transportation policy that acknowledges the minimum service levels required by ORC § 3327.01. Even though the District's policy states that it transports K-8 students who live more than two miles from school, in practice any student who requests transportation will receive it. All high school students are also transported regardless of distance from school due to a lack of access roads and sidewalks.

The policy itself is contradictory, stipulating that only students who live more than two miles from school are transported, while stating that the maximum distance students may walk to school is one mile. The policy also states that the maximum distance students may walk to bus stops is one mile, while Ohio Administrative Code (OAC) § 3301-83-13 requires bus stops to be provided within a half mile of the student's residence.

The District also does not have written procedures, or guidelines for granting exceptions to the Board's policy. The Board's policy states that the Superintendent at his/her discretion, may make exceptions to the transportation guidelines.

The District's policy for non-routine use of school buses states among other things, that fees for the use of buses are established and made part of the District's regulations. However, the Business Director indicates that outside organizations (e.g., community clubs and organizations) are not allowed to use District buses. He explained that it only allows its buses to be used for such non-routine purposes as scheduled field trips for students and transportation to athletic and other extracurricular events. Other than the provision in its transportation contract which outlines fees charged by the Contractor for non-routine transportation, GMLSD does not have formal procedures for assessing non-

routine transportation fees and it does not charge fees to District departments that use buses for co-curricular, athletic, and extra-curricular trips.

According to the Association of School Business Officials International (*Key Legal Issues for Schools*, 2006), school board policies provide visible statements about the board's beliefs and actions regarding educational and managerial practices, and are the means through which boards plan their strategic directions. Policies should be adopted with a clear vision and strategies for achieving that vision and as a result, should be the basis for the actual practices as well as resource decisions of a district.

Without written guidelines that reflect actual practices, GMLSD staff and the community may not be receiving clear direction about the transportation practices of the District. Written policies that reflect Board approved service levels will provide stakeholders unambiguous guidance on transportation issues and exceptions to the transportation policy.

Standard Operating Procedures

R5.2 GMLSD should develop standard operating procedures for completing, reconciling, and submitting T-forms. Formal standard operating procedures should document, in detail, the activities of all positions responsible for collecting and ensuring accurate reporting of this information. This will help to ensure that reports are accurate, complete, and submitted in a timely manner. Following standard operating procedures will also strengthen internal controls, help minimize errors, and ensure continued compliance with State requirements in the absence of employees with institutional knowledge.

In addition, the Transportation Manager and Treasurer should attend ODE-sponsored training on T-form preparation and submission to help ensure future T-forms are error free.

The Transportation Manager collects each bus driver's October count information and records it into the T-Forms. GMLSD follows ODE instructions for conducting its October count. All bus drivers also fill out forms tracking the mileage, times, and other trip information for field trips or other non-routine use of buses. The Transportation Garage Manager, Treasurer, and Business Director track this data, and the cost is excluded from the T-2 form reported to ODE. After the Transportation Manager gathers all the expenditure information, she enters the information in ODE's School Foundation Payment System.

However, the District has not developed formal standard operating procedures for collecting, submitting, and verifying T-form data to ODE. For example, there are no

meetings held between the Transportation Manager and the Treasurer or Business Director to ensure the accuracy and validity of data. Moreover, no District employees are specifically tasked with verifying and reconciling the T-form data before it is submitted to ODE. Consequently, significant errors were identified on GMLSD's T-Forms.

According to the 2003 report, *Student Transportation in Ohio*, issued by the Legislative Office of Education Oversight (LOEO), accuracy problems for transportation related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. LOEO recommended that ODE continue to work with school districts to improve the accuracy of the data submitted. The first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-forms. ODE has acknowledged problems in reporting on T-forms (LOEO, 2003, and *Cleveland Municipal School District Special Investigation Report*, 2005). Ohio school districts have experienced confusion over the interpretation of ODE instructions for completing the T-forms.

According to *Documentation of Accounting Policies and Procedures* (GFOA, 2002), government agencies should develop formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. The documentation of accounting policies and procedures should be readily available to all employees. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed. Finally, 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 lack of formalized standard operating procedures for T-form reporting weakens internal controls, especially in the event of employee turnover or absence. This increases risks associated with misreporting and may result in a loss of State reimbursement for transportation services.

Operating Efficiency

R5.3 GMLSD should develop a transportation plan for FY 2008-09 that includes the reduction of at least six regular buses. The District should require the Contractor to use its routing software to identify more cluster stops and consolidate bus stops that are in close proximity, in order to reduce the number of bus routes and active buses. Adjusting school building bell schedules may also allow routes to be reduced. With its current two- and three-tier system, if GMLSD operated its public school routes at 80 percent of capacity, it would be able to reduce six regular active buses. To further reduce transportation costs, GMLSD should work with the non-public and community schools to coordinate bell schedules and bus stops in an effort to further reduce the number of active bus routes.

In order to maintain these efficient ridership levels, GMLSD should continually monitor ridership levels and utilization rates, and should recalibrate routes periodically throughout the year

GMLSD ridership fell by nearly 11 percent from FY 2004-05 through FY 2005-06, and increased slightly (by 0.7 percent) between FY 2005-06 and FY 2006-07. Ridership significantly increased (16 percent) from FY 2006-07 to FY 2007-08. According to the District, the increase in ridership for the current school year is the result of a number of factors, including a new housing development in the District which has attracted new residents with children of school age, the end of split sessions in all schools in the District (see **facilities section**), and fewer student drivers.

Table 5-2 presents a summary of the District's enrollment and ridership since FY 2004-05.

Table 5-2: GMLSD Historical Change in Ridership and Riders per Bus

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Enrollment	6,189	6,171	5,999	6,110
Total Regular Riders	4,458	3,981	4,014	4,655
Total Regular Riders as % of Enrollment	72.0%	64.5%	66.9%	76.2%
Regular Riders per Bus	61.1	52.4	56.5	77.6
Number of Active Regular Buses	73	76	71	60

Source: GMLSD Transportation data (T-forms) and ODE Enrollment Reports

Although GMLSD's enrollment has remained relatively steady since FY 2004-05, **Table 5-2** shows that total riders have fluctuated from year to year. Between FY 2005-06 and FY 2007-08, GMLSD reduced its regular active buses by 16 (from 76 to 60), or 26.7 percent. The decrease in the number of regular active buses and routes, as well as a 16.0 percent increase in ridership in FY 2007-08, helped to increase the riders per bus ratio to nearly 78 riders per bus.

A review of the GMLSD driver route sheets shows that although the District does promote cluster stops, in some instances, stops are made for only one to four students. Establishing larger cluster or corner stops will allow GMLSD to reduce the number of stops and allow for more stops per route.

The District has also explored the idea of alternative methods for transporting students, especially for some special needs riders. In addition to payment in lieu of transportation (Type IV), which is currently being used, GMLSD has also considered using other vendors to transport some special needs riders (see **R5.8**).

According to *Hidden Savings in Your Bus Budget*, (AASA, 2005), effective pupil-to-bus ratios should average at least 100 pupils on a double route, two-tier bus system. Because some GMLSD buses run three tiers, and some run only one, the overall industry benchmark of 100 students per bus appears reasonable.

An alternative efficiency benchmark recommends buses operate at 80 percent of rated capacity. Based on the number of tiers it runs, and assuming 80 percent of bus capacity is utilized, GMLSD should average about 106 students per bus. While GMLSD significantly improved its utilization over prior year in FY 2007-08 (77.6 riders per bus), it still has a lower ridership per bus ratio than the peer districts and the industry benchmarks. Therefore, bus route efficiency could be improved by reducing the number of buses being used to transport its students.

In its review of the Osceola County (Fla.) School District, the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) states that the district could improve its efficiency by increasing the number of three-tier bus runs. Buses can make several runs each morning and afternoon, such as one route to transport children to an elementary school, followed by a second route to a middle school and a third route to a high school. Three-tier runs are more efficient than two-tier runs because they can carry more students during the course of the day. Using multi-tier bus routes requires schools to stagger their schedules so that buses have time to make runs between school starting times.

The Texas School Performance Review (TSPR) found that the coordination of bell times to allow multiple trips on most routes greatly improves the productivity of each bus route, lowering the cost of service. In its audit of the Socorro Independent School District, TSPR states that the operation of staggered bell times makes these multiple trips possible. Coordinated bell times allow buses to serve one school and have time to return to another school. By coordinating school bell schedules to be consistent, the District can reduce daily trips, allowing it to route more effectively, prioritize service delivery, and possibly eliminate more buses.

TSPR also found the cluster-stop policy used by Corpus Christi Independent School District (CCISD) enabled CCISD to carry more students (per mile) since the distance required to connect cluster stops with a route should be less than the distance required to connect every student's home. CCISD employs a cluster-stop policy for most of its regular education transportation. Rather than designing bus routes to go to each student's home, CCISD establishes cluster stops in each neighborhood. OAC § 3301-83-13 states that students may be required to walk up to one-half mile to their designated bus stops.

To achieve the peer district average riders per bus, GMLSD would need to reduce two additional buses. However, to meet the industry benchmark established by AASA and operate at 80 percent of capacity, the District would need to reduce up to 16 buses. In order to accomplish this, the District would need to work with non-public and community schools to further stagger their bell schedules and find ways to consolidate routes. However, only considering the public routes where it has total control of school bell times, the District could reduce six buses, which would bring its public riders-per-bus ratio to approximately 104, based on the rated capacity of 69.9 riders and the number of public school riders reported in FY 2007-08.

Financial Implication: If the District reduces six Board-owned buses (the lowest cost-per-day option), it would achieve an annual savings of more than \$307,000.

Fuel Tracking

- R5.4 GMLSD should establish policies to review its fuel tracking (swipe card) reports and require the reconciliation of fuel inventory and usage. It should take advantage of the monitoring provisions in its transportation contract to request and receive a monthly fuel report to verify that fuel is used properly. The policy should also explicitly stipulate that fuel cannot be used for personal vehicles or equipment. In addition to using the swipe card report, the District should follow through with its plans to install an automatic fuel shut-off system to provide additional security for its fuel.**

The District uses a key system to get fuel from the tank, and only the bus drivers have the special “swipe cards.” Usually the Transportation Manager turns on the fuel tank in the morning, and each driver uses their key card to access diesel fuel as needed. The drivers return the key cards to the garage office at the end of the work day. The Dispatcher, who is usually the last person to leave the garage at end of the day, locks the garage office where the fuel tank keys are kept at night.

Daily fuel reports are generated by the head mechanic at the bus garage and identify the buses that received fuel and amount of fuel used. The fuel usage report tracks and monitors fuel usage by bus. However, the District does not have a formal procedure for verifying the accuracy and reconciliation of fuel use data. District officials have not received or reviewed this report, though the Business Director indicates that he has recently started to do so. The Business Director also stated that it is difficult for anybody to steal the fuel because the buses use only diesel fuel, and the fuel tank is strategically located.

The District has recently purchased a 10,000 gallon fuel tank which will replace its existing 1,500 gallon fuel tank. The District does not have an automatic shut-off system, but plans to install one as part of the new fuel tank, to further help control and monitor fuel usage.

According to the Comptroller General of the United States in its *Report to the Congress (1980)*, due to increasing price and decreasing supplies of fuel, it is important to reduce susceptibility to fraud, abuse, and waste in the procurement of fuel by initiating and following sound control procedures including:

- Vigorous enforcement of the procedures for verifying fuel deliveries, including maintaining verification records for independent audit;
- Ensuring that guidelines for bulk fuel tank security are followed;
- Ensuring that all fuel dispensed from bulk fuel tanks is accounted for; and
- Obtaining better data on the use of fuel by vehicle drivers.

According to *Public Works Management Practices Manual*, fuel inventory systems must meet all applicable regulations and identify gallons of fuel received from vendors by location, date, and cost; identify fuel issued by vehicle number, quantity, type, and location; and identify gallons of fuel on hand by location, date, and type. Fuel issued, receipts, and current inventory levels should be tracked and reconciled to determine any variances from recorded inventory levels.

Most school districts have written policies stating that employees are not allowed to use district properties for personal purposes. For example, Edison LSD (Jefferson County)

states in its administrative guidelines that employees may not use any of the District's equipment or supplies for personal reasons. By better monitoring its fuel usage reports and formally establishing policies to prohibit the personal use of District fuel, GMLSD will help ensure that its Transportation Department is operating as efficiently as possible and that it is minimizing its risk for theft or waste.

Fuel Purchases and Competitive Bids

R5.5 GMLSD should track the price it pays for fuel and compare it to Ohio Department of Administrative Services (DAS) pricing and other benchmarks. The District should periodically seek competitive bids or issue a Request for Proposal (RFP) to multiple vendors for the procurement of fuel, and should actively compare prices. Comparative fuel price data can be used to determine whether GMLSD should become a member of a fuel purchasing consortium (e.g., DAS). Upon selection of a supplier, the District should formalize its agreement in a written contract to minimize risk and better ensure mutual adherence to established expectations for service.

If the District engages in competitive selection, it should formally document its process for soliciting competitive bids from or issuing RFPs to any contracted vendors who supply fuel to the District. This will improve accountability by documenting that GMLSD receives the best price for contracted services.

GMLSD's transportation contract stipulates that the Contractor is responsible for providing parts and supplies for maintenance of the bus fleet. The District is responsible for the purchase of fuel for all the buses used, regardless of whether the buses are owned by the District or the Contractor. The District has purchased its fuel exclusively from one vendor for at least the past 15 years, though it does not have a formal contract with the fuel provider. The Business Director stated that the District occasionally seeks fuel price quotes, but has not found a vendor with better pricing. GMLSD has been unable to provide any documentation of its efforts to obtain a better fuel price. Furthermore, GMLSD has not used RFPs or other documented measures to initiate a competitive process for the purchase of fuel.

In addition, the small size of the fuel tank and the large bus fleet requires the fuel tank to be refilled on a daily basis. The vendor does this based on a verbal agreement with the District – there is no written agreement. Once installation of its new fuel tank is complete, the District plans to require its current supplier to compete with other vendors for its business.

The DAS Office of State Purchasing uses a bidding process to enter into a contract through which state agencies, local governments, and school districts may purchase gasoline and diesel fuel. Although the small size of GMLSD's fuel tank has precluded the District from participating in the DAS contract (the new fuel tank will allow it to participate), the contract does provide a benchmark against which to compare the fuel prices GMLSD has received from its vendor. Based on a small sample of weeks, GMLSD's fuel prices were generally in line with the DAS price, averaging about 2.5 cents per gallon more. A price difference of 2.5 cents per gallon totals about \$4,000 per year (based on 900 gallons per day for 178 days).

According to the *Contract Management Manual: A Guide to Bidding, Selecting, Contracting, and Monitoring Services* (Voinovich Center for Leadership and Public Affairs at Ohio University, June 2001), a purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community.

DAS opens its fuel contract to a competitive bidding process after three years. GMLSD should establish a similar timeline for reevaluating its fuel purchasing contract. By regularly issuing RFPs for fuel, GMLSD could ensure it receives the best price available, and could potentially reduce its current fuel costs.

Motor Fuel Tax Refund

R5.6 GMLSD should develop standard operating procedures for completing, reconciling, and submitting motor fuel tax refund claims to the Ohio Department of Taxation (ODT). During the course of the audit, the District Treasurer began submitting motor fuel tax refund claims for reimbursement from ODT.

GMLSD has not historically submitted motor fuel tax refund claims to ODT, as authorized by ORC § 5735.142. Although the Treasurer, Business Director, and Transportation Manager are jointly responsible for ensuring the timely and accurate reporting of transportation-related information in the District, the process itself remains informal.

During the course of the audit, the District Treasurer applied for reimbursement of the motor fuel tax refund for which GMLSD was eligible dating back to March 2007. On an ongoing basis, refunds will be calculated at a rate of \$0.06 per gallon, based on the actual amount of fuel consumed by the District. In the future, standard operating procedures

would help ensure that the appropriate forms are always submitted and the District receives the reimbursements to which it is entitled.

Financial Implication: For the one year period from March 2007 to March 2008, the District was reimbursed more than \$11,000.

Bus Replacement Planning

R5.7 GMLSD should attempt to renegotiate the bus replacement provision in its transportation contract to reflect a lifespan more in line with the industry benchmark of 12 to 15 years. This would reduce amortization costs by spreading the costs for new buses over a longer period of time. Using a replacement service life within industry standards would not adversely affect the quality of the buses but would substantially reduce the cost to the District. GMLSD should also establish a plan to replace the buses it owns and to take annual physical inventory counts of all buses in the fleet.

In FY 2007-08, GMLSD's school bus fleet totaled 89 buses (including spares), including 45 District-owned and 44 Contractor-owned buses. Neither the District nor the Contractor maintain vehicle inventory lists that reflect updated information on the bus fleet. Of the District's 77 active buses, 17 are special needs buses of different sizes, and 60 are regular route buses.

The District's transportation contract requires the Contractor to replace buses, regardless of ownership, at 11 years of age. It stipulates that the average age of the Board-owned fleet shall not exceed 5.9 years of age. In addition, any Board-owned bus over 11 years must be replaced or incur a daily maintenance surcharge of \$22.71 per bus per day. Despite these specific contract provisions, the District has not adopted a formal bus replacement plan. In fact, the average age of GMLSD's buses is 7 years and the average mileage per bus is 89,615. The District has 11 buses older than 11 years, and the oldest bus is 19 years old, although it is a spare, and none of the active buses exceed 13 years of age.

The Contractor's FY 2007-08 daily bus rates charged to the District were \$289.93 per bus per day for a Contractor-owned bus and \$250.85 for a District-owned bus. The difference of \$39.08 reflects the amortization cost of Contractor buses, and applied to 44 Contractor-owned buses, amounts to \$308,000 per year. The daily maintenance surcharge for each of the 11 Board-owned buses that exceed the age criteria cost the District an additional \$44,466.

A general consensus among private bus contractors and school transportation departments is to replace diesel buses at approximately 12 to 15 years of age or 250,000 miles, taking into account maintenance costs. However, irrespective of age or mileage, buses which pass state inspections may legally continue to be used.

According to *School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002), the timely replacement of school buses must be a planned process. An independent study of annual school bus operating costs indicated that after 12 model years or 250,000 miles of use, the annual operating cost of school buses begins to increase significantly and continues to increase each year thereafter. NASDPTS states that South Carolina believes school buses should be replaced on a 15 year or 250,000 mile life cycle, based on the average mileage accumulated by school buses in the state.

According to *Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* (GAO, 2002), governments should use criteria such as establishing accountability, determining frequency of counts, providing adequate supervision, and ensuring the completeness of the counts to achieve accurate counts of physical inventories. GAO further states that a lack of reliable information impairs the government's ability to (1) know the quantity, location, condition, and value of assets, and (2) safeguard its assets from physical deterioration, theft, loss, or mismanagement. Management must decide how frequently those items should be counted. The most desirable goal would be to count all of the inventory items at least once a year.

If GMLSD renegotiated the bus replacement age to 13 years, it would spread amortization costs over an additional two years. This would result in an annual cost savings for the District through a reduction in the daily per-bus cost. Finally, leading practices promoted by GAO indicate that the District can ensure consistent and accurate counts of inventory by establishing guidelines that assign accountability, specify the frequency of counts, provide adequate supervision, and ensure the completeness of inventory counts. This will help the District better monitor its fleet and track the age, condition, and repair history of its buses.

Financial Implication: If all Contractor-owned buses were amortized over a 13 year period instead of the current 11 year period, the daily rate should be reduced to reflect the new amortization period, allowing the District to save approximately \$47,000 per year, based on 44 Contractor-owned buses.

Special Needs Transportation

- R5.8 GMLSD should seek out opportunities to reduce the number of buses it uses to transport special needs students. While GMLSD has a large number of special needs riders relative to the peer districts, the disproportionately high number of special needs buses increases the District's overall transportation costs.**

GMLSD should include transportation personnel when discussing transportation as a related service for students with IEPs. A representative from the Transportation Department should ensure that alternative methods of transportation are evaluated and that specialized transportation services provided are feasible and affordable. GMLSD should continually evaluate and document the costs of transporting special needs students to ensure that other cost effective methods are considered. For example, GMLSD should consider negotiating with its transportation Contractor to allow it to contract with a taxicab service to provide transportation to some IEP students more efficiently. In addition, the District should explore consolidating routes and partnering with neighboring school districts to transport some IEP riders who attend schools outside the District. GMLSD should also consider initiating parent/guardian contracts to reduce the number of special needs bus riders on yellow buses.

GMLSD has approximately 1,100 students with IEPs, about 170 of whom are transported on special needs buses. Others are transported with regular students on regular routes. The responsibility to evaluate an IEP student, conduct meetings with the parents of the student, and make decisions on how to transport the student lies with the office of the Director of Special Education. The District does not include Transportation Department staff in the IEP process when transportation is a required service in the IEP. Consequently, the Department does not provide input into the decisions about transporting IEP students, and only becomes aware of their transportation needs when it receives authorization to transport them.

According to the Director of Special Education, GMLSD seeks to mainstream as many students as possible, although students who require door-to-door service, special transportation service through the IEP, or are considered medically fragile are transported using special needs buses. In practice, the District generally does not include on regular bus routes those special needs students who have transportation as a related service. **Table 5-4** shows the riders per bus comparison between GMLSD and the peer district average.

Table 5-4: GMLSD Riders per Bus Comparison¹

	GMLSD - FY 2007-08	Peer Average – FY 2006-07	% Difference vs. Peers
Total Special Needs Riders ¹	170	31	448.4%
Total Special Needs Buses	17	1.8	844.4%
Special Needs Riders per Bus	10	17.2	(41.9%)
Regular Riders per Bus	77.6	79.6	(2.5%)
Yellow Bus Riders per Bus	62.7	76.6	(18.2%)

Source: GMLSD T-Forms and ODE Reports.

¹ This table compares GMLSD's FY 2007-08 riders per bus ratios with FY 2006-07 peer district average, because GMLSD's riders per bus increased significantly over FY 2006-07, thus dramatically increasing the efficiency.

As **Table 5-4** illustrates, GMLSD transports 5.5 times as many special needs students as the peer average, but uses 9.4 times as many buses to do it. GMLSD transports about 10 riders per special needs bus, whereas the peers average 17.2 riders. GMLSD would need to operate with nearly seven fewer special needs buses to have a ridership ratio in line with the peer districts' average. Moreover, GMLSD's low number of special needs riders per bus is the primary factor impacting the District's low overall ridership levels relative to the peers. While the District may be less efficient than its peers, the Director of Special Education indicated that GMLSD believes that keeping ridership levels on its special needs buses low is an effective service for its special needs students.

Parent/guardian contracts are similar to payments-in-lieu but allow the District to enter into written agreements for the parents/guardians to transport their children for a negotiated amount to be paid by the District. However, unlike payments-in-lieu, these contracts may be used for special needs riders. And although parents cannot be required to provide transportation, the District can promote the use of these contracts with the goal of decreasing the number of special needs students who require yellow bus transportation. No other alternative methods of transportation are used, nor has the District considered contracting with neighboring school districts to transport some of its special needs riders.

A taxicab company recently proposed to transport some IEP riders at a relatively low cost. The company provides services to other districts, including Westerville City School District (Franklin County). While the needs of each IEP student are unique, such a service may provide an opportunity for GMLSD to transport special needs students more efficiently. Westerville CSD estimates that it spends approximately \$5,000 per student per year for taxicab service. If GMLSD could use such a service to replace those buses with extremely low ridership levels – in FY 2007-08, it had 7 special needs buses with 6 or fewer riders – it could experience significant savings. However, the District has been hesitant to consider such an arrangement at this time, due to its agreement with the

Contractor, which grants the Contractor the exclusive right to provide transportation services for the District. GMLSD should consider negotiating with its Contractor to allow for more efficient transportation of its IEP riders.

OAC § 3301-51-10 (C)(2) stipulates that “school district transportation personnel shall be consulted in the preparation of [IEPs] when transportation is required as a related service and when the child’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation.” Including transportation personnel in these meetings would help the District better identify situations when a child who requires transportation as a related service may be safely transported via a regular bus route or a less expensive alternative transportation method. As a result, the District will be able to safely and appropriately transport its IEP riders, and at the same time reduce the number of special needs buses and operate its fleet more efficiently.

Financial Implication: If the District could reduce its 7 buses with 6 or fewer riders, based on the FY 2007-08 contract rate for a District-owned bus, it would save approximately \$357,000 per year. Contracting with a taxicab service for the 30 students who ride these buses, at \$5,000 per year per student, would cost the District approximately \$150,000. The net savings to the District from this change would be approximately \$207,000.

Contracting

R5.9 Upon expiration of the current contract, GMLSD should consider using NSAA recommended practices in contracting for services. The Business Director should be empowered with the authority, resources, training, and time to monitor the transportation contract effectively and make recommendations to modify contract provisions to reduce the District’s overall transportation costs. The District should formally request that the Contractor provide quarterly operating reports as well as any other data or reports as authorized in the contract. GMLSD should also evaluate existing performance measures and identify any additional information it needs to monitor the contract effectively, and then negotiate to include such new measures in the contract. In addition, the District should hold its current contract provider to the performance measures stipulated in the contract. Finally, the Board should consider developing and using performance incentives in future contracts to reward the Contractor for being efficient.

Although GMLSD’s transportation contract does contain inspection and audit provisions as recommended by the National State Auditors Association (NSAA), the District does not take full advantage of these provisions. It neither requires the contractor to provide

periodic reports summarizing the repairs made to all equipment, nor exercises its right to inspect any equipment for purposes of assuring the Company's compliance with the terms of the contract. The contract also provides for regular meetings between the parties to review the operation of the program and explore methods by which the benefits of cost reduction measures may be shared between the Contractor and the Board. Although District officials stated that they have periodic informal management meetings with the Contractor, there was no evidence to suggest that the District has asked for or held formal meetings to review operations and explore cost reductions, as contained in the contract.

The transportation contract also contains monitoring processes that could be used by GMLSD to more effectively manage the contract, including tracking and comparing invoices and charges to the contract terms and conditions, ensuring that deliverables are received on time, retaining documentation supporting charges against the contract, and evaluating the Contractor's performance on this contract against a set of pre-established standard criteria. According to the Business Director, the monthly invoices from the Contractor are reviewed to make sure that route numbers have not increased without authorization and that the hourly rate is documented correctly. The District usually anticipates what the bill should be by keeping a record of the number of school days in the period.

These monitoring processes in the contract are designed to assure that the Contractor complies with the contract. However, the District has not used these measures to assure compliance as provided for in the contract. The Business Director also has many other responsibilities within the District and his workload may make it difficult to monitor the contract adequately. Furthermore, he has not asked the Contractor for the contractually stipulated quarterly reports essential to effectively monitoring the contract.

The transportation contract contains some performance requirements. These include the timeliness of buses, maintaining a low accident rate, providing on-time billing, and meeting school administrator and Board member satisfaction expectations. If the Contractor fails to meet these standards, GMLSD has the authority to terminate the contract.

NSAA has published leading practices for contracting for services. Although several recommended practices deal with planning, evaluating, and deciding whether to contract for services, some practices address areas that apply after the decision to contract has been made, such as contract provisions, monitoring, and performance.

Contract Provisions: According to NSAA, contracts for the purchase of services should be formal, written documents. Contracts should protect the interests of the agency, identify the responsibilities of the parties to the contract, define what is to be delivered,

and document the mutual agreement, substance, and parameters of what was agreed upon. Specifically, the contract should:

- Clearly state and define the scope of work, contract terms, allowable renewals, and procedures for any changes.
- Provide for specific measurable deliverables and reporting requirements, including due dates.
- Describe the methods of payment, payment schedules, and escalation factors if applicable.
- Contain performance standards, performance incentives, and/or clear penalties and corrective actions for non-performance, with a dispute resolution process.
- Contain inspection and audit provisions.
- Include provisions for contract termination.
- Tie payments to the acceptance of deliverables or the final product.

Monitoring: NSAA also describes contract monitoring as an essential part of the contracting process. Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, the contracting agency does not have adequate assurance it receives what it contracts for. To properly monitor a contract, the agency should:

- Assign a contract manager with the authority, resources, and time to monitor the project.
- Ensure that the contract manager possesses adequate skills and has the necessary training to properly manage the contract.
- Track budgets and compare invoices and charges to contract terms and conditions.
- Withhold payments to vendors until deliverables are received.
- Retain documentation supporting charges against the contract.
- After contract completion, evaluate the contractor's performance against a set of pre-established, standard criteria and retain the record of contract performance for future use.

Performance Requirements: NSAA also recommends that agencies develop performance requirements that will hold vendors accountable for the delivery of quality services. Performance requirements should:

- Clearly state the services expected.
- Clearly define performance standards and measurable outcomes.
- Identify how vendor performance will be evaluated.

- Include positive or negative performance incentives.
- Identify the staff that will be responsible for monitoring vendor performance. Ensure that sufficient staff resources are available to handle vendor/contract management properly.
- Clearly define the procedures to be followed if, during the course of performance of a service contract, unanticipated work arises that requires modification to the contract.

While GMLSD's transportation contract contains some recommended provisions, the District should more effectively use these provisions to monitor the contract. In addition, it should evaluate whether the contract's existing performance measures are tied to the appropriate outcomes. In any future contract, the District should include performance measures and targets that follow recommended practices, provide incentives for the Contractor to be efficient, and ensure that the contract is aggressively managed. Without appropriate and diligent oversight, GMLSD may not receive either the services for which it has contracted or the appropriate levels of efficiency.

Financial Implications Summary

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

Table 5-4: Summary of Financial Implications for Transportation

Recommendation	Estimated Annual Cost Savings
R5.3 Reduce six school buses	\$307,000 ¹
R5.6 Collect motor fuel tax refund	\$11,000
R5.7 Negotiate with Contractor to replace school bus at 13 years of age instead of 11 years	\$47,000 ²
R5.8 Negotiate with Contractor to allow the District to replace some special needs buses with taxicabs	\$207,000
Total	\$572,000

Source: AOS recommendations

¹ Savings based on implementation in FY 2008-09.

² Savings based on implementation in FY 2008-09.

Food Service

Background

This section focuses on the operational efficiency of the Groveport Madison Local School District's (GMLSD or the District) food service operations. The financial condition and procedures of the District's food service program were analyzed for the purpose of developing recommendations for improvements in processes and identifying opportunities to increase efficiency. The District's operations were evaluated against peer districts¹ as well as best practices and operational standards, including the Ohio Department of Education (ODE), Ohio Auditor of State (AOS), National Food Service Management Institute (NFSMI), Government Finance Officers Association (GFOA), Texas School Performance Review (TSPR), and the National State Auditors Association (NSAA).

Organizational Structure and Function

The food service program at GMLSD consists of 45 employees, including the Food Service Director (the Director). Each of the District's nine school buildings employs one head cook. The remaining food service employees are classified as cooks, and also fulfill serving and cashier duties. The food service operations have been contracted to a vendor since 1997. The Food Service Director manages the day-to-day operations of the program and reports to GMLSD's Business Director, who is responsible for monitoring the contract on behalf of the District and approving payments to the contractor. The Director is a contract employee provided through the food service vendor, but all other food service staff are employees of GMLSD and are members of Local #312 of the Ohio Association of Public School Employees (OAPSE).

The food service program at GMLSD provides lunch to students at all of its buildings, and also provides breakfast at its elementary and middle school buildings. Menus are standardized across buildings, although the junior high and high school also have additional food choices available to students.

In FY 2006-07, 59.0 percent of GMLSD students participated in the National School Lunch Program, through which meals are at least partially reimbursed by the federal government. This is 9.0 percent higher than the peer average. When a la carte sales – which are not reimbursable

¹ Peers include Anthony Wayne LSD (Lucas County), Canfield LSD (Mahoning County), Green LSD (Summit County), Jackson LSD (Stark County), Lake LSD (Stark County), North Canton CSD (Stark County), Northmont CSD (Montgomery County), Poland LSD (Mahoning County), Tipp City EVSD (Miami County), and Wadsworth CSD (Medina County).

through the National School Lunch Program – are included, 67 percent of the District’s students participated in its lunch program, which was about 0.5 percent lower than the peer average.

GMLSD is in the process of implementing direct certification and point-of-sale systems. Beginning in FY 2008-09, GMLSD, like all districts in the State of Ohio, will be required to use direct certification in all of its school buildings. Under direct certification, information from the Ohio Department of Job and Family Services is used to certify students receiving benefits for free meals. Direct certification works to improve program access and administrative efficiency by eliminating the application requirement for the program. In addition, GMLSD recently installed point-of-sale systems at its high school and junior high buildings, and intends to install them at all buildings for FY 2008-09. Point-of-sale increases efficiency of food service operations by allowing lines to move more quickly, improves the ability of the District to collect data to track program performance, and helps increase participation rates by protecting the confidentiality of students participating in the free and reduced lunch programs.

Financial Condition

All school district food service programs are organized as enterprise operations which are intended to be self-funded, relying on charges for services to support the costs of the operation.² **Table 6-1** details the Food Service Fund revenue and expenditures for FY 2004-05 through FY 2006-07. The financial data in **Table 6-1** has been adjusted to reflect the amount GMLSD claimed, rather than the amount received each fiscal year, in the Federal Grants-in-Aid line item because of regular delays in receiving federal reimbursements.

² However, ORC 3313.81 stipulates that foods service operations may not be used to make a profit.

Table 6-1: GMLSD Food Service Fund Financial History

	FY 2004-05	FY 2005-06	Change vs. FY 2004-05	FY 2006-07	Change vs. FY 2005-06	Change vs. Two Years Ago
Revenue						
Student Charges	\$886,484	\$815,049	(8.1%)	\$690,622	(15.3%)	(22.1%)
Earnings on Investments	\$0	\$0	0.0%	\$0	0.0%	0.0%
Miscellaneous	\$5,449	\$343	(93.7%)	\$0	(100.0%)	(100.0%)
State Grants-in-Aid	\$8,557	\$33,788	294.9%	\$39,204	16.0%	358.2%
Federal Grants-in-Aid ¹	\$695,040	\$871,486	25.4%	\$895,070	2.7%	28.8%
Total Revenue	\$1,595,529	\$1,720,667	7.8%	\$1,624,897	(5.6%)	1.8%
Expenditures						
Personal Services – Salaries	\$560,458	\$573,219	2.3%	\$534,916	(6.7%)	(4.6%)
Employees Retirement and Insurance	\$278,487	\$273,978	(1.6%)	\$242,379	(11.5%)	(13.0%)
Purchased Services	\$139,128	\$132,598	(4.7%)	\$172,405	30.0%	23.9%
Supplies and Materials	\$631,265	\$787,227	24.7%	\$642,719	(18.4%)	1.8%
Capital Outlay	\$15,427	\$6,112	(60.4%)	\$10,410	70.3%	(32.5%)
Other Objects	\$1,152	\$0	(100.0%)	\$0	0.0%	(100.0%)
Total Expenditures	\$1,625,917	\$1,773,135	9.1%	\$1,602,828	(9.6%)	(1.4%)
Spending Surplus (Deficit)	(\$30,388)	(\$52,468)	72.7%	\$22,069	(142.1%)	(172.6%)
Beginning Fund Balance	\$128,097	\$97,709	(23.7%)	\$45,241	(53.7%)	(64.7%)
Ending Fund Balance	\$97,709	\$45,241	(53.7%)	\$67,310	48.8%	(31.1%)

Source: GMLSD year-end financial and federal claim reimbursement reports.

Note: Table may not sum due to rounding.

¹ Due to delays in reimbursements, the Federal Grants-in-Aid line item was adjusted to reflect the amount GMLSD claimed in each fiscal year.

Table 6-1 shows that in FY 2004-05 and FY 2005-06, the Food Service Fund experienced operating deficits. However, in FY 2006-07, the Fund generated an operating surplus, which District officials attribute to increased revenue from the elimination of split scheduling (see discussion in **facilities**) and implementation of a breakfast program at the elementary and middle school buildings. The FY 2007-08 food service budget also projects a surplus of approximately \$50,000. Although the Food Service Fund has a positive balance, declining revenues and the failure to account for all food service costs (see **R6.5**) provide an element of uncertainty about the status of the Fund. Moreover, the District does not engage in long-term financial forecasting for the Food Service Fund, so it is unable to predict whether the Fund will continue to operate with a positive balance into the future (see **R6.1**).

Table 6-2 shows adjusted financial data for FY 2006-07 and compares GMLSD's Food Service Fund revenues and expenditures to the peer average on a per meal equivalent basis.³

Table 6-2: Operating Statistics Comparison

	GMLSD	Peer Average	Difference vs. Peer Average
Total Meal Equivalents Served	639,564	463,916	37.9%
Revenues per Meal Equivalent			
Total Operating Revenue	\$1.08	\$2.23	(51.6%)
Total Non-Operating Revenue	\$1.46	\$0.46	221.2%
Total Revenue	\$2.54	\$2.68	(5.3%)
Expenditures per Meal Equivalent			
Salaries	\$0.84	\$0.99	(15.8%)
Fringe Benefits	\$0.38	\$0.39	(3.5%)
Purchased Services	\$0.27	\$0.06	339.0%
Supplies and Materials	\$1.00	\$1.19	(15.9%)
Capital Outlay	\$0.02	\$0.05	(65.7%)
Other	\$0.00	\$0.01	(100.0%)
Total Expenditures	\$2.51	\$2.69	(7.0%)
Total Gain or (Loss)	\$0.03	(\$0.01)	417.7%

Source: GMLSD and peer districts' year-end financial and management reports

Note: Table may not sum due to rounding.

As shown in **Table 6-2**, GMLSD derives a significantly higher percentage of its revenue from non-operating sources than operating sources, as compared to the peer average. Operating revenue in the Food Service Fund is composed of student charges for paid and reduced priced meals and a la carte sales. Non-operating revenue includes federal reimbursements for participation in the School Breakfast Program and National School Lunch Program, and State grants-in-aid. The District's higher proportion of non-operating revenues is directly related to its high participation rate in federal programs. Overall spending in the GMLSD Food Service Fund is 7 percent lower than the peer average, largely due to lower expenditures in the supplies and materials line item. Purchased services at GMLSD are significantly higher than the peer average, and salaries are significantly lower. Much of the difference in these two line items can be explained by the Food Service Director's salary being classified as a purchased service.

³ Per meal equivalents are based on definitions from the National Food Service Management Institute. The conversion of meal equivalents used is as follows: 1 lunch = 1 meal equivalent; 3 breakfasts = 2 meal equivalents; and a la carte meal equivalents are determined using a formula that divides a la carte sales by free lunch reimbursements plus commodity value per meal.

Audit Objectives for the Food Service Section

The following is a list of the audit objectives used to evaluate the District's food service operations:

- What is the financial status of the District's Food Service Fund?
- What can the District do to improve the financial status of the Food Service Fund?
- Is the program planned and managed in a way that is consistent with District plans and the program budget?
- Is the District effectively managing its food service operations?

Recommendations

- R6.1 GMLSD should develop an operational plan with specific goals and objectives for its food service operations. Goals and objectives should be both functional and financial, and should be consistent with District-wide planning efforts. The plan should be linked to a budget and five-year forecast for the Food Service Fund, and should include performance measures. These planning documents could then be used to evaluate the performance of the food service contractor, prevent future deficit spending, monitor goal achievement, and assess alternative delivery mechanisms.**

GMLSD does not have a formal operational plan for its food service operation, nor does it have a financial forecast to demonstrate the long-term viability of the Food Service Fund. The Board has approved policies which declare its intention that the District provide nutritional meals to its students, outline the parameters of the District's breakfast program, and indicate that the District will provide free and reduced-price meals to those students who qualify. However, there is no written plan outlining operational goals or strategies such as organizational structure, menu plans, meal prices, participation goals, staffing efficiency, or equipment needs. The Business Director and Superintendent meet with the food service vendor periodically to discuss short- and long-term goals for the food service program, but these meetings do not lead to documented goals.

The operations of the food service program and status of the Food Service Fund have generally been influenced by external factors. For example, the program had historically been subsidized by the District's General Fund until it generated a surplus in FY 2006-07. Yet this change was attributed to the elimination of split scheduling within the District and the implementation of a breakfast program, rather than to specific actions initiated by the food service operation with the goal of becoming self-sufficient.

According to *Best Practices in Public Budgeting* (GFOA, 2000), a government should prepare policies and plans to guide the design of programs and services. Policies and plans provide a basis for designing specific programs to achieve the broad goals established by the government, and can address a wide range of issues, including: groups or populations to be served, service delivery issues, examples of possible programs, performance standards, expected costs, time frames for achievement of goals, issues pertaining to organizational structure, and priorities for service provision. GFOA recommends that policies and plans, such as strategic and operational plans, be adopted by the governing body and made available to the public. A critical component of any plan is a long-term financial forecast which helps the government better plan for future financial conditions.

Within its operational plan, the District should evaluate a number of factors relative to its operations, including meal prices, food quality, staffing levels, participation rates, and the competitiveness of its food service operations.

In addition, GFOA encourages entities to evaluate alternative delivery mechanisms to ensure that the best approach is selected for delivering a service. Specifically, GFOA recommends that governments institute processes to examine how they traditionally provide a service and whether the service could be delivered more effectively or more efficiently if provided in a different way. Considerations in evaluating service delivery mechanisms, whether provided directly by a government or contracted out, include:

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

The Texas School Performance Review (TSPR) confirms that effective management is based on sound planning and budgeting practices. An effective planning process helps foster more informed decision making and more effective communication. Moreover, establishing goals, strategies, and performance measures provides tangible benchmarks against which the District can measure actual results. For example, the TSPR suggests that a strategic plan, including program mission and goals, can assist in evaluating the performance and fiscal operations of the food service program. Other documents that are useful in planning include the following:

- Cafeteria capital improvement plans;

- Budget planning documents;
- Budgets for food service for the last five years;
- Paid and reduced price meal participation rates for the last three years;
- Annual budgets and financial records showing budgeted and actual costs and revenues for food service for the last three years and the ending fund balance;
- Any recent Food Service Department customer survey instruments and results; and
- Student, parent, teacher, and staff survey results as they pertain to food service.

Without a longer-term forecast, it is difficult for the District to know whether its operating surplus is likely to continue, or to plan accordingly. The decisions of the food service program and the strategies that are adopted in order to maintain a positive fund balance should be developed on the basis of accurate and reliable information, beginning with a true determination of the financial status of the Food Service Fund and the anticipated revenues and expenditures. For example, if the financial forecast predicts that the Food Service Fund's expenditures will begin to exceed revenues again in two years, the District could begin to evaluate the need to adjust its meal prices, reduce labor hours, or increase participation rates to avoid the projected deficit.

Establishing an operational plan and financial forecast for the food service program would help the District to identify and articulate the goals of the program, provide a mechanism to ensure that the decisions and actions of the program are aligned with those goals, help the District identify the resources available to accomplish those goals, and ensure the District has adequate information to maintain the Food Service Fund's positive fund balance into the future.

R6.2 GMLSD should include provisions in the contract with its food service vendor detailing specific performance expectations of the vendor. These expectations should be aligned with the District's goals for the food service program as identified in its operational plan (see R6.1). The contract should also require the vendor to collect and report data related to its performance in meeting the objectives of the contract. In addition, the District should establish formal procedures and allocate appropriate resources to monitor the food service contract and evaluate the performance of the contractor.

The Ohio Department of Education (ODE) provides school districts that contract for their food service operations with a checklist containing a number of provisions that should be included in the contract. GMLSD's contract with its food service vendor substantially complies with the ODE requirements. However, the contract does not include clear expectations of the vendor, nor does it require the vendor to submit data demonstrating that it meets specific performance criteria.

At GMLSD, the Business Director is responsible for oversight of the food service contract, and is also responsible for oversight of the District's transportation contract, facilities, and student services. Although he does receive reports and meets periodically with the Food Service Director, the Business Director cited a lack of time and resources to effectively monitor the contract. Instead, invoices are simply submitted by the Food Service Director and paid by the District.

The National State Auditors Association states that without a sound monitoring process, the contracting agency does not have adequate assurance it receives what it contracts for. To properly monitor a contract, the government should:

- Assign a contract manager with the authority, resources, and time to monitor the project;
- Ensure that the contract manager possesses adequate skills and has the necessary training to properly manage the contract;
- Track budgets and compare invoices and charges to contract terms and conditions;
- Ensure that deliverables are received on time and document the acceptance or rejection of deliverables;
- Withhold payments to vendors until deliverables are received;
- Retain documentation supporting charges against the contract;
- After contract completion, the agency should evaluate the contractor's performance against a set of pre-established, standard criteria.

GMLSD's Food Service Director collects and measures data related to performance indicators, using the point-of-sale systems that were installed at the junior high and high school in FY 2007-08. In addition, the Food Service Director and District officials meet periodically to discuss the program needs, financial situation, and other issues related to food service. However, the District does not actively monitor its food service contract, nor has it developed any formal measures to evaluate the performance of the contractor. Moreover, because the District has not developed an operational plan or long-term financial forecast for the food service program (see **R6.1**), there are no formal goals in place to provide the contractor with performance expectations against which it could be measured.

R6.3 As an option to avoid future deficits in the Food Service Fund, GMLSD should consider increasing lunch prices at its high school building. Increasing prices at this building would bring the District's prices more in line with other districts in the county. A decision about meal prices should be based on the needs and goals, as well as the financial outlook, of the food service program as laid out in a long range operational plan and financial forecast (see R6.1). Moreover, before making such a decision, the District should evaluate the impact of price increases on participation rates to ensure that any increase generates the expected amount of revenue.

Meal prices at GMLSD are determined by the Food Service Director and submitted for approval to the District. Lunch prices have not been adjusted since FY 2003-04. **Table 6-3** compares GMLSD's lunch prices to Franklin County peer districts with relatively comparable student populations.

Table 6-3: Comparison of Lunch Prices

	Groveport Madison CSD	Canal Winchester LSD	Reynolds- burg CSD	South- Western CSD	Grandview Heights CSD	Peer Average	Above (Below) Peer Average
Elem. School Lunch	\$2.00	\$2.00	\$1.65	\$2.25	\$2.50	\$2.10	(\$0.10)
Middle School Lunch	\$2.25	\$2.25	\$1.65	\$2.25	\$2.50	\$2.16	\$0.09
Junior High Lunch	\$2.25	\$2.25	\$2.25	\$2.25	\$2.50	\$2.31	(\$0.06)
High School Lunch	\$2.25	\$2.50	\$2.25	\$2.50	\$3.00	\$2.56	(\$0.31)
Average Lunch Prices	\$2.19	\$2.25	\$1.95	\$2.31	\$2.63	\$2.28	(\$0.10)

Note: Table may not sum due to rounding.

Source: GMLSD and peer site applications obtained through ODE.

Although the District's average lunch price across all buildings of \$2.17 is in line with the peer average, the high school lunch price is \$0.31 below the peer average. **Table 6-4** shows that by increasing lunch prices by \$.25 at the high school, the District could generate approximately \$11,400 in additional revenue per year (assuming that participation rates remained constant) while remaining comparable to its peers.

Table 6-4: Proposed Lunch Price Increase

	Avg. Daily Participation	% Paying Students	# Paying Students	Current Lunch Prices	Revenue From Paying Lunches	Proposed Increase	New Revenue
Elementary Schools	1,327	34.08%	452.2	\$2.00	\$904	\$0.00	\$0
Middle Schools	590	32.87%	193.9	\$2.25	\$436	\$0.00	\$0
Junior High	441	42.67%	188.2	\$2.25	\$423	\$0.00	\$0
High School	493	53.34%	263.0	\$2.25	\$592	\$0.25	\$66
Total Daily Increase					\$2,356		\$113
Total Annual Increase¹					\$407,571		\$11,373

Note: Table may not sum due to rounding.

Source: GMLSD MR 60 Reports obtained through ODE.

¹ Annual total based on 173 days GMLSD reported serving lunch in FY 2006-07.

In reviewing financial projections for the Food Service Fund, GMLSD may find that lower than average meal prices threaten to undermine the long-term financial stability of the Fund, thus making it difficult for the District to implement its operational plan for the food service program (see **R6.1**). In order to generate additional revenue, the District should consider increasing lunch prices at the high school building.

During the course of the audit, GMLSD increased its meal prices at all grade levels.

Financial Implication: Assuming that participation rates remain constant, increasing lunch prices by \$0.25 at the high school building would generate \$11,400 per year in additional revenue for the Food Service Fund.

R6.4 The District should consider reducing food service labor hours at the junior high and high school to achieve a level of productivity per hour more in line with the national standard. Like meal prices (see R6.3), decisions about labor hours should be made in the context of an operational plan and financial forecast (see R.6.1).

Table 6-5 shows the productivity of the food service staff at each school building in the District, measured in Meals per Labor Hour (MPLH). MPLH⁴ measures a food service operation's productivity and efficiency. The more meal equivalents served per hour of labor, the more efficient the operation. By using this measure, the District can identify how its staffing levels compare to national MPLH benchmarks (*School Food Management for the 21st Century*, 1999).

Table 6-5: GMLSD Food Service Labor Hours

School Building	Total Meal Equivalents Served per Day	Total Labor Hours Per Building	Daily Labor Hour Benchmark ¹	Equivalent Labor Hours Over/(Under) National Standard
Asbury Elementary School	293	18.0	18.3	(0.3)
Dunloe Elementary School	286	16.0	17.9	(1.9)
Glendening Elementary School	424	19.0	22.3	(3.3)
Madison Elementary School	286	16.0	17.8	(1.8)
Sedalia Elementary	386	19.0	21.4	(2.4)
Groveport Madison Middle School South	404	23.0	21.3	1.7
Groveport Madison North Middle School	376	23.0	20.9	2.1
Groveport Madison Junior High School	577	37.0	30.4	6.6
Groveport Madison High School	667	54.5	33.3	21.2
Total	3,697	225.5	203.6	21.9

Source: Staffing data provided by GMLSD, District MR reports obtained from ODE

¹ Daily Labor Hour Benchmark determined by dividing the Total Meal Equivalents Served at each building by the MPLH benchmark established in *National School Food Management for the 21st Century*

Table 6-5 shows that collectively, GMLSD's food service labor hours exceed the national standard by 21.9 labor hours, although several of the District's buildings are below the national standard. The high school and junior high buildings exceed the

⁴ The measurement is calculated by dividing the total labor hours worked by the total meal equivalents (breakfast, lunch, a la carte) served per day at each building.

standard by 21.2 and 6.6 labor hours, respectively. This means that the food service operations at these two buildings use more labor hours than recommended to reach the national productivity benchmark. Increasing the productivity of the food service staff can be achieved either by increasing the number of meals served while maintaining the same number of labor hours, or by reducing the number of labor hours and maintaining a similar number of meals served.

When reviewing its long-term financial forecast (see **R6.1**), the District may find that its food service expenditures will begin to outpace revenues in future years. **Table 6-6** estimates the potential savings if the District chose to reduce labor hours in the food service program at the junior high and high school buildings.

Table 6-6: Proposed Labor Hour Reductions

School Building	GMLSD Total Hours	Equivalent Labor Hours Over/(Under) National Standard	Average Hourly Rate ¹	Daily Savings	Annual Savings ²
Jr. High	37	6.6	\$17.71	\$117.33	\$22,292.36
High School	54.5	21.2	\$17.51	\$370.62	\$70,417.75
Total	91.5	27.8		\$487.95	\$92,710.11

¹ The Average Daily Rate does not consider the salary of the head cook at each building. In addition, the rate includes a 45.3 percent fringe benefits rate, based on the average fringe benefits derived from the Food Service Fund financial statements.

² Annual savings are calculated by multiplying the daily savings by 190, the number of days served (as reported by the District).

Financial Implication: Reducing daily labor hours by 6.6 hours at the junior high would generate an estimated annual savings to the Food Service Fund of approximately \$22,000. Reducing labor hours at the high school by 21.2 hours to achieve the benchmark MPLH would save an estimated \$70,500. In total, the reductions would save nearly \$93,000 per year.

R6.5 GMLSD should establish policies and procedures to ensure that food service-related expenses for utilities and trash removal are charged to the Food Service Fund. Moreover, the District should develop and document methodologies for determining the portion of these costs to charge. By capturing and recording all food service-related expenses, GMLSD can foster more comprehensive financial reporting in its Food Service Fund and better forecast long-term trends in revenues and expenditures. Additionally, charging the Food Services Fund its share of utility and trash removal costs would relieve the General Fund of the financial burden of paying for expenses not directly related to the District's general operations.

GMLSD does not allocate a proportional share of its utility and trash collection costs to the Food Service Fund. In FY 2006-07, the District spent approximately \$99,000 on trash

removal and \$886,000 on utilities. The District indicated that the reason its expenditure levels for trash removal were high (\$0.15 per square foot, compared to the national median of \$0.05), was partially due to increased waste from the food service program's decision to use disposable paper plates. Of GMLSD's total square footage of 656,360, approximately 5.59 percent (36,696) is used for food service.

ORC § 3313.81 requires that all revenue and expenditures related to the operation of a school district food service program be deposited into and disbursed from the Food Service Fund. The GFOA suggests that measuring the full costs of services is useful to a government for a number of purposes, including performance measurement and benchmarking, activity-based management, and exploration of alternative delivery methods. According to the GFOA, the full cost of a service encompasses all direct and indirect costs related to that service. Direct costs include the salaries, wages, and benefits of employees working on the delivery of the service; materials and supplies; and associated operating costs such as utilities, rent, training, and travel. Indirect costs include shared administrative expenses such as legal, human resources, and maintenance.

An acceptable methodology for calculating utility expenses is to take the total space occupied by the food service operation (including the kitchen, office, storage, and cafeteria) and calculate the percentage of the total square footage of the school building utilized by food service. In many cases, schools have multi-purpose spaces that are used as auditoriums or gymnasiums as well as cafeteria spaces. For these areas, the District should calculate the square footages based on the percent of time the space is used by the food service operation. Expenses for gas, electric, water/sewer, and trash collection could all be allocated using this percentage of space. However, because food service operations tend to be responsible for a proportionally higher share of utility expenses, and the use of disposable paper plates has been cited as a driver of GMLSD's higher trash collection expenses, the District could develop alternative methodologies that attempt to more precisely allocate the food service program's share of these costs.

By paying a proportional share of utility and trash removal expenses out of the Food Service Fund, GMLSD will have a more complete understanding of the financial status of the food service operation and relieve the General Fund of this unnecessary financial burden. This information will benefit the District in terms of measuring the performance of the food service program, making strategic operational decisions about the program, and projecting future revenues and expenditures.

Financial Implication: If the District applies the 5.9 percent rate to the food service program's share of utility and trash removal expenditures, expenditures from the Food Service Fund would increase by approximately \$55,100. Expenditures from the General Fund would decrease by the same amount.

R6.6 GMLSD should adopt formal policies and procedures for the collection, reconciliation, and timely deposit of cash receipts from its food service program. The policies should require appropriate internal controls over cash, procedures for ensuring the timely deposit of all revenue collected, and a process for reviewing collected revenue to budgeted revenue throughout the fiscal year. The policies adopted for food service should be consistent and integrated with District-wide policies related to cash receipts.

The food service program does not have a manual or formal procedures in place for its employees who are responsible for handling cash. Although the point-of-sale systems being implemented by GMLSD allow students to use prepaid accounts to purchase meals, students may still choose to pay with cash. As part of its FY 2006-07 financial audit, the District received a management letter comment which recommended the adoption of policies and internal controls related to the handling of cash in its food service program. The period covered in the audit was prior to the implementation of point-of-sale. The automated system should help strengthen controls over cash collection, reconciliation, and daily reporting. Still, absent formal procedures and internal controls for the collection, handling, and timely depositing of cash receipts, the food service program risks losing revenue due to undetected errors or fraud.

The GFOA also states that proper controls over revenue are imperative in determining budget, forecasting, reconciliations, and general oversight over the revenue collected. Management must provide for appropriate mechanisms, both automated and manual, to collect all funds legally due to the entity and to ensure that proper controls exist over all receipts. Consequently, the GFOA recommends that governments adopt documented cash receipt controls as part of their overall revenue management policies. The development of cash receipt controls should consider, among other factors, the following:

- **Internal controls** – management should establish internal controls, relating to all aspects of cash receipts, that are properly documented and followed by the appropriate departments;
- **Deposits** – there should be timely recognition and depositing of revenue collected;
- **Budgetary review** – the government should monitor the collection of actual revenue and compare it to budgeted or projected revenue throughout the fiscal period.

Best Practices (AOS, Fall 2007) addresses the issue of cash management by local governments. The AOS describes detailed general controls, security controls, management controls, and monitoring controls to help ensure the security of the collection and reconciliation of cash receipts. *Best Practices* also cites several examples of governments – including the City of San Luis Obispo, CA; the Ashtabula County (OH)

Joint Vocational School District; and the City of Solon, OH – that have adopted best practice policies for handling cash.

Adopting formal policies and internal controls relative to the handling of cash by food service staff will help ensure that cash receipts are properly accounted for and deposited on a timely basis, and that the District has appropriate control over its revenue. Without these controls, GMLSD is vulnerable to undetected errors or fraud.

Financial Implications Summary

The following table presents a summary of the estimated annual cost savings and annual revenue enhancements identified in recommendations presented in this section of the report. Only recommendations with quantifiable implications are listed.

Summary of Financial Implications for Food Service

Recommendation	Estimated Annual Cost Savings	Estimated Annual Revenue Enhancements	Estimated Annual Cost to Food Service Fund
R6.3 Increase meal prices at junior high and high school buildings		\$11,400	
R6.4 Reduce food service daily labor hours by 6.6 hours at junior high and 21.2 hours at high school	\$93,000		
R6.5 Charge proportional utility and trash collection expenditures to Food Service Fund ¹			\$55,100
Total	\$64,000	\$11,400	\$55,100

Source: AOS recommendations

¹**R6.5** would result in a cost to the Food Service Fund, but would result in an equivalent saving for the General Fund.

DISTRICT RESPONSE

District Response

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

As noted in the response, the District disagrees with the auditors' selection of comparison districts. The selection of districts used as peers or for comparison purposes was shared with GLMSD at the outset of the audit. Auditors explained that the high performing, low spending group represented an advanced benchmark and were annually selected from the 614 Ohio districts based on information from the Ohio Department of Education (ODE). The districts selected are urban/suburban districts that spent below the state median amount per pupil and were designated as "excellent" districts. Therefore, they exceed GMLSD's performance in two critical areas—expenditures and academic achievement. The auditors deliberately selected districts of the same ODE typology that are more efficient and effective to provide an above-average target that GMLSD could incorporate into its performance improvement efforts. Although the selected districts are not adjacent to Cleveland, Cincinnati, or Columbus, most are situated around Ohio urban centers (Akron, Canton, Youngstown, Dayton and Toledo). Furthermore, some districts may have comparable demographics in certain areas, but no two districts will provide an exact match in demographic factors, nor will regional districts mirror GMLSD on all the factors included in the District's attached analysis.

Using a different set of benchmarks might make GMLSD's performance appear higher in some categories but it would not provide GMLSD with the same range of potential opportunities for improvement and cost savings. Many of the districts cited by GMLSD as neighboring districts were rated effective or excellent by ODE, but spend considerably more than the state median per pupil amount to achieve those results. Considering GMLSD's projected financial condition, the District is encouraged to avail itself of all options for process improvement and cost savings, particularly practices used by high achieving, high efficiency districts. The auditors would encourage GMLSD to use not only its regional districts but also higher than average benchmarks to gauge its performance.

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"Cruiser"
More Than A Mascot

Groveport Madison Schools

Administrative Offices

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Groveport, OH 43125
(voice) 614-492-2520/(fax) 614-492-2532

December 2, 2008

Mary Taylor, CPA
Office of the Auditor of State of Ohio
88 E. Broad Street
Columbus, Ohio 43215

Dear Ms. Taylor:

We extend our gratitude for your staff's analysis and suggestions for improving the performance of the Groveport Madison Schools. This November 2008 audit comes on the heels of the failure of our levy replacement ballot issue and will assist us as we continue to assess the district in the area of cost containment and potential funding opportunities. We have been working diligently for the past three years to appropriately manage our resources and educational program delivery in our continuously changing school district.

We appreciate the accomplishments that were presented in the performance audit for our proactive approach toward a number of your recommendations. Some of the key initiatives that you have recommended that our district consider are currently in the completion process.

We were also appreciative of the acknowledgement from your office for the fiscal accomplishments the district has already achieved. They are:

- GMLSD has created an emergency management planning manual that complies with the Federal Emergency Management Agency's National Incident Management System.
- GMLSD maintains utility costs below the peer averages. Using a consultant to monitor energy usage and providing employee training on energy management, coupled with purchasing through a consortium, has helped it achieve lower costs in this area.

Despite these accomplishments, the district acknowledges that there are many areas that can be improved upon. Some of the recommendations listed in this report have already in the beginning of implementation and have been or will be completed soon. They are:

Ashbury Elementary
5127 Harbor Blvd.
833-2000

Dunloe Elementary
3200 Dunloe Rd.
833-2008

Glendening Elementary
4200 Glendening Dr.
836-4972

Groveport Elementary
715 E. Main St.
836-4975

Madison Elementary
4600 Madison School Dr.
833-2011

Sedalia Elementary
5400 Sedalia Dr.
833-2014

Middle School North
5474 Sedalia Dr.
837-5508

Middle School South
4400 Glendening Dr.
836-4953

Junior High School
751 E. Main St.
836-4957

Senior High School
4475 S. Hamilton Rd.
836-4964

- R2.1 – Develop a clearly written, multi-year strategic plan.
- R2.2 – Augment the standardized financial reports created for the Board members.
- R2.3 – Develop and release a comprehensive annual financial report (CAFR) and consider developing a popular annual financial report (PAFR).
- R2.4 – Include additional financial information on the website.
- R4.1 – Develop a facilities master plan.
- R4.8 – Offer annual training to custodial and maintenance staff and maintain records of training
- R5.2 – Develop standard operating procedures for completing, reconciling and submitting T-forms.
- R5.3 – Develop transportation plan for FY2008-09 that includes reduction of six routes.
- R5.4 – Establish policies to review its fuel tracking reports and reconcile fuel inventory and usage.
- R5.6 – Develop standard operating procedures for completing, reconciling and submitting motor fuel tax refund claims.
- R6.3 – Avoid future deficits in the food service fund by increasing lunch prices at high school.
- R.6.4 – Consider reducing food service staff at high school and junior high school.
- R.6.5 – Establish policies and procedures to ensure food service-related expenses and for utilities and trash removal.

The remaining audit recommendations will be implemented in the near future. Many of these items are covered by one of the district's three negotiated agreements. Therefore, these recommendations will be presented at the bargaining table the next time the negotiations process is begun with the appropriate employee group.

Some audit proposals, such as reducing staff, must be done at the end of a contractual year, or when those recommendations come to the Board from the Superintendent. Hopefully, before staff reductions occur, there will be considerable discussion concerning the level and quality of services our students receive. Other audit proposals suggest that policies be developed, or operating procedures established to create greater efficiency or higher operating standards. The process of implementing all of these recommendations can be started by the end of the school year.

We wish to point out one over-riding concern that we believe has merit, and that would certainly impact the conclusions of this audit analysis. We are compelled to take exception to those peer groups that were chosen for comparison with the Groveport Madison School District. Apparently, auditors used some type of rubric or formula in order to make correlations between our district and others in the state. The auditors' projections included districts that "...had similar demographics or used similar approaches in delivery services" (as stated on page 1-3 of the Executive Summary of the State Auditors Performance Audit). However, in reviewing available demographic data

Mrs. Taylor

December 2, 2008 - Page 3

we believe that these districts have little in common with Groveport Madison (see chart – Peer District Comparisons). Our research also shows that no district chosen by the audit team is located close to a major metropolitan city like Cleveland, Cincinnati, or Columbus (see chart – Peer District Locations). Instead, since our district is consistently being compared by various print and television news sources with other districts in and around Franklin County (see chart – Neighboring District Comparisons), we believe that certain Franklin County school districts lend themselves to be a better comparison cohort, than many of the Auditors' choices. Consequently, we believe that the peer group comparison process is somewhat flawed and that our district would be better served by a more practical cohort than those the Auditors used in which to base their findings.

Nevertheless, the Groveport Madison Schools is appreciative of your staff members' hard work, and we intend to seriously consider the recommendations that have been made. Undoubtedly all of the recommendations that you have enclosed in this report will be studied and expeditiously implemented, if at all possible.

Sincerely,



H. Scott McKenzie
Superintendent



Anthony T. Swartz
Treasurer

mab
Attachments

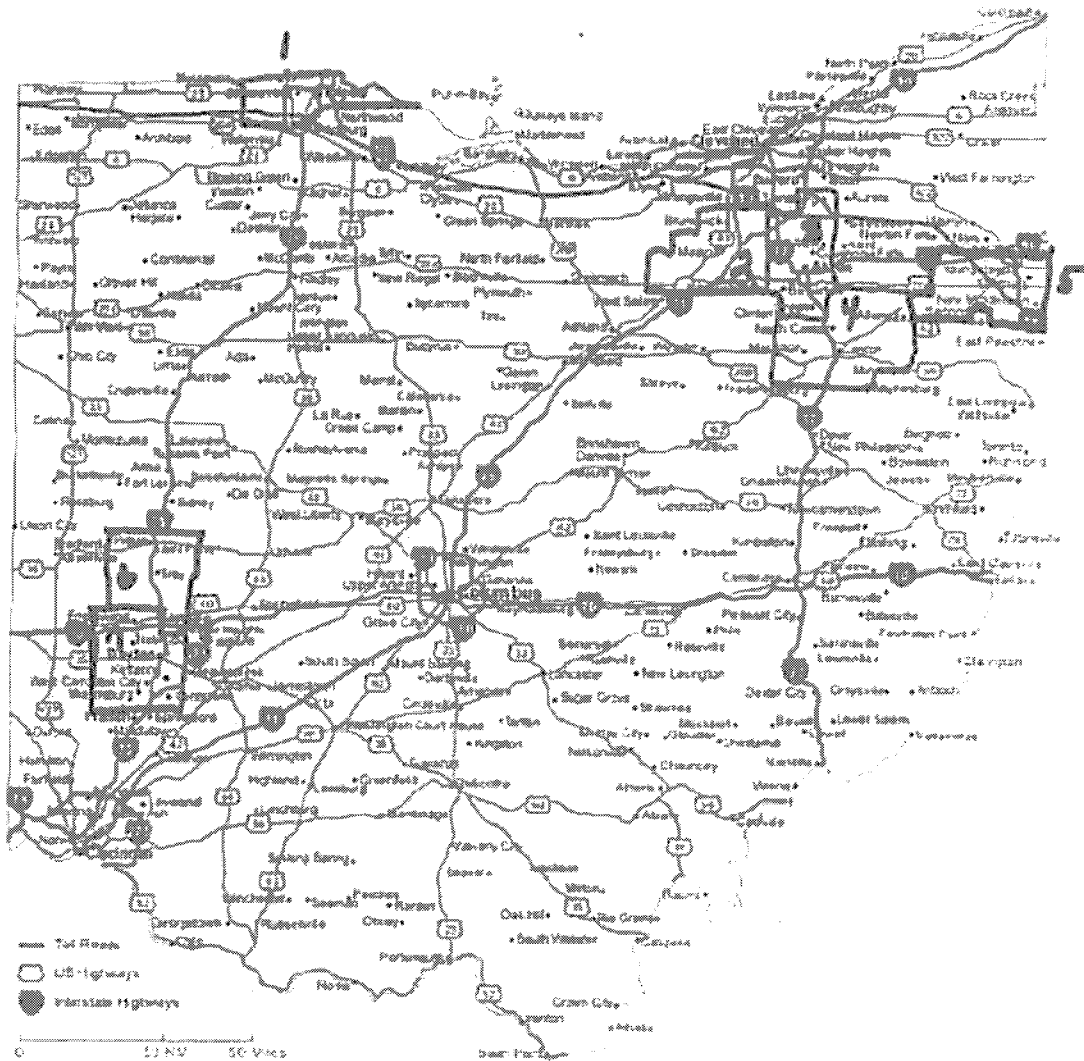
Peer District Comparisons

District	Sq. Miles	Enrollment	Bldgs.	Non-White	Disabled	Limited English Proficiency	In District Less than One Year	Median Income	% Poverty	Assessed Property Value per Student
Anthony Wayne	74	4264	6	5.7%	7.8%	NC	5.0%	\$ 47,716	7.0%	\$ 209,953.08
Canfield	30	3029	4	5.6%	10.1%	NC	3.1%	\$ 41,659	6.4%	\$ 170,646.44
Green	33	4096	6	5.9%	12.3%	1.2%	5.5%	\$ 37,939	14.4%	\$ 170,370.79
Jackson	36	5566	6	7.6%	7.9%	1.0%	4.6%	\$ 38,884	11.3%	\$ 227,461.32
Lake	27	3383	5	2.0%	10.8%	2.4%	4.7%	\$ 37,399	15.8%	\$ 120,251.12
N. Canton	15	4701	7	6.2%	10.0%	0.3%	4.9%	\$ 36,472	10.7%	\$ 144,610.20
Northmont	45	5652	9	24.8%	13.3%	2.0%	7.1%	\$ 36,833	20.7%	\$ 113,116.86
Poland	18	2336	6	3.7%	8.1%	NC	3.3%	\$ 37,541	12.1%	\$ 156,155.79
Tipp City	28	2601	5	3.5%	10.9%	1.3%	8.4%	\$ 38,777	12.4%	\$ 138,990.33
Wadsworth	32	4584	8	3.4%	9.2%	NC	4.2%	\$ 36,974	68.2%	\$ 133,315.09
Groveport Madison	40	5869	10	42.5%	17.2%	2.5%	22.5%	\$ 30,435	39.8%	\$ 126,310.28

Neighboring District Comparisons

District	Sq. Miles	Enrollment	Bldgs.	Non-White	Disabled	Limited English Proficiency	In District Less than One Year	Median Income	% Poverty	Assessed Property Value per Student
Canal Winchester	32	3267	4	24.5%	10.5%	2.6%	11.2%	\$ 41,049	19.8%	\$ 124,326.62
Gahanna-Jefferson	28	6824	11	26.5%	14.4%	1.0%	9.7%	\$ 42,403	17.1%	\$ 206,417.29
Grandview Heights	2	1141	4	6.5%	12.0%	NC	4.6%	\$ 40,479	10.5%	\$ 235,072.18
Hamilton Local	19	3236	4	19.3%	10.7%	0.9%	22.2%	\$ 28,469	44.3%	\$ 91,539.75
Hilliard	59	14185	21	18.9%	11.6%	6.3%	7.2%	\$ 46,477	16.4%	\$ 163,790.13
Pickerington	39	9820	11	27.4%	9.9%	2.4%	7.8%	\$ 46,001	12.6%	\$ 102,998.52
Reynoldsburg	11	6398	11	43.5%	15.0%	2.9%	15.5%	\$ 33,942	33.6%	\$ 111,554.26
South-Western	119	20406	34	26.1%	13.1%	11.5%	17.2%	\$ 32,325	23.9%	\$ 124,179.27
Westerville	37	13470	23	30.3%	12.2%	7.1%	9.5%	\$ 40,488	22.0%	\$ 175,063.94
Whitehall	5	2840	5	48.8%	16.4%	12.2%	20.7%	\$ 24,800	67.0%	\$ 101,767.48
Groveport Madison	40	5869	10	42.5%	17.2%	2.5%	22.5%	\$ 30,435	39.8%	\$ 126,310.28

Peer District Locations



Legend

1. Anthony Wayne – Lucas County
2. Wadsworth – Medina County
3. Green – Summit County
4. Lake – Stark County
Jackson – Stark County
N. Canton – Stark County
5. Canfield – Mahoning County
Poland – Mahoning County
6. Tipp City – Miami County
7. Northmont – Montgomery County



**Auditor of State
Mary Taylor, CPA**

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